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FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT

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FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

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Of all the agricultural commodities, wheat including flour has been the subject of the most extensive government legislation throughout the world in recent years. Practically every country which produces wheat except China has now undertaken through governmental action to restrict imports, increase exports or grant special aid and assistance to domestic producers. This is explained in a large measure by the important part that wheat growing, flour milling, and domestic and foreign trade in wheat and flour play in the agricultural and commercial economy of numerous countries. It ranks at or near the top of the agricultural enterprises of a score of countries and is commercially grown in more than 50. Also it ranks as the leading food product in the volume of its international trade as nearly every country has been either an importer or an exporter of wheat or flour in recent years. In turn, a very extended distribution system was built up which was further augmented by an increasing practice in the milling trade of mixing wheats and flours to produce special flour types. The price of wheat has even been a sort of agricultural income index in many countries, and its decline since 1929 appears to have directed government legislation, not only in behalf of wheat but of other crops, particularly cereals, as well.

The variety and intensity of the foreign wheat and flour legislation in general has depended on (a) the relative and potential importance of the wheat industry in the particular country; (b) the general government policy respecting protection and aid and (c) the exigencies of the country's financial situation especially during this period of depression. The latter factor has made for emergency trade control and production aid measures designed to promote more active foreign trade balances. In the importing countries the spirit of economic nationalism following the World War has expressed itself in part in efforts toward national economic self-sufficiency - a tendency still further intensified by the world economic depression and especially by the financial crisis of the past year. One of the most striking examples of this trend has been reflected in the measures taken with respect to wheat.

The types of measures adopted may be broadly classified or grouped into (a) measures directly restricting imports, in force to some extent in nearly all importing countries; (b) measures directly aiding exports, which are found in several exporting countries and a few deficit areas under certain conditions and (c) measures indirectly affecting trade by aiding domestic production and the net income of the producer. These latter measures are found in practically all countries and particularly in the surplus regions. The most important forms of direct government intervention in the wheat and flour trade are: (1) tariffs; (2) milling quotas and mixing restrictions; (3) licensing systems; (4) import monopolies; (5) preferential commercial treaties and clearing agreements and (6) controlled or allotted foreign exchange. Depreciated exchange has also served as an important check for some countries but like item (5) also serves as an aid to exports in several surplus areas. The principal

types of measures directly aiding exports are: (1) export bounties or premiums including the import certificate system of deficit countries; (2) export dumping schemes and (3) bargaining or preferential treaties. The measures aiding domestic agriculture and the improvement of the competitive position of the producer by lowered costs of production and marketing and increased net income have taken a multitude of forms. In general, however, they have been in the form of (1) production bonuses, and fixed or stabilized prices; (2) credit extension; (3) reduced or remitted taxes; (4) reduced freight rates; (5) debt moratoria; and (6) legislation affecting the alternative or competitive products of wheat and flour.

The direct government intervention in the wheat and flour trade has exerted three important influences in the world wheat situation. In the first place they have restricted and reduced imports; secondly they have increased or at least helped maintain wheat acreage and production in countries where wheat growing would otherwise have declined, and thirdly they have tended to reduce wheat consumption. The reduced consumption has been the result of raising the price so high that substitutes have been used and of a poorer quality bread due to milling and baking restrictions. In importing countries the most influential types of measures appear thus far at least to have been tariffs and milling quotas and mixing restrictions, with the other forms largely strengthening in certain cases the influence of these types which are most widely used.

Only a half dozen countries of the world, none of which is among the very large importers, now allow duty free imports of wheat and still fewer permit free imports of flour. The tariffs affecting U.S. wheat range from about 3 cents per bushel in Switzerland to $1.62 in Germany while even higher rates are recorded in some countries with a dual rate schedule. A notable tendency toward increased wheat and flour tariffs set-in in many European countries after 1925 and a sharp increase in acreage was recorded in 1926 compared with the 1921-25 average acreage.

The milling quotas and mixing regulations operative in about a dozen countries appear to have played a very important part in restricting the normal flow of trade in wheat and flour. Not only do they ensure complete utilization of domestic wheat which is inferior for bread making but by so doing they help maintain or even increase production of such wheat. They tend to limit imports to the strongest foreign wheats in order to produce as nearly as possible a satisfactory milling mixture when blended with the weak domestic wheats. Despite this blending the quality of bread suffers in many cases, thus adversely affecting consumption. Some elasticity in the importation of special foreign wheat types is afforded in some countries by changing the percentages of the milling quotas from time to time during the season, depending on domestic supplies, or by using the import certificate system which enables quantities of strong foreign wheat to enter duty free or at reduced rates for like amounts of domestic wheat exported. This is the principal involved in the so-called "wheat exchange plan" in Germany.

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A definite centralization of import agencies or facilities has been effected in a great many countries as a further method of control. In some cases the method or policy appears to be a temporary one as a matter of expediency in preventing depreciation of the country's foreign exchange during the depression; in others and more generally, there is a policy of more permanent state control. Requiring permits from the government or from an agency working with the government in order to import or obtain foreign exchange to finance imports, enables a definite control of imports. In Germany exchange permits are allotted monthly and the imports allowed are less by a certain per cent than the imports during the corresponding period of last year. Wheat and flour, however, have not been subjected to as drastic exchange permit control as have many other imports in most countries.

Further steps taken by several countries attempting control have been the formation of specific organizations as state import monopolies or quasi-official monopolies with sole authority to import. Complete monopoly of both the import and domestic grain trade is not altogether uncommon. Though monopolies present a very formidable type of trade barrier they do not appear to have necessarily curtailed imports more than have other types and in some cases they have even facilitated import purchases. On the other hand, virtual embargoes on wheat and flour imports have been effected through such monopolies. In some instances where state control or close supervision is exercised wheat growing is looked upon as a public utility - a matter of national welfare and so the concern of the state.

Other trade barriers with a rather limited yet significant effect on the world wheat and flour movement are commercial treaties and exchange clearing agreements. These tend to influence the direction of imports rather than to result in an absolute reduction of trade activity. Preferential treaties and clearing agreements are not very numerous at the present time, the British Empire preference system adopted at the 1932 Ottawa Conference being the principal one affecting world trade and especially United States exports. A few commercial treaties but more clearing agreements which mitigate the effects of controlled exchange and facilitate trade exist between some wheat countries of the Danube Basin and European importing countries. Very much reduced wheat supplies in the Basin this year, however, are helping to minimize the effect of such treaty negotiations.

Depreciating exchange tends to incrrase exports and decrease or shift the source of imports of a country. Since many wheat importing countries and the principal wheat exporting countries other than the United States have depreciated exchange, this has been an additional barrier for United States wheat amd flour exports.

The most important export aids in addition to bargaining treaties and depreciated exchange just reviewed are definite export bounties or premiums and dumping schemes. Export bounties, however, are not a very prevalent type

of measure at the present time, especially if cash payments are involved, on account of stringent credit and financial conditions in most countries. Both Rumania and Hungary used this form of aid during part of last year but have discontinued it. In Poland it has played a limited role with respect to wheat, but Poland has not had a large export surplus, and this year the crop was materially reduced by rust damage. Import certificates may be considered a form of export bounty since they tend to increase a country's exports, but they do not increase net exports and hence are not applicable in countries with an export balance. They sometimes enable exports to be made from surplus regions of a country to adjoining countries and imports into the deficit areas at less cost than domestic transportation might entail but at the present time they are especially used to permit imports of strong foreign wheats for mixing with domestic wheat.

Wheat export dumping schemes have been used primarily in the Danube countries. They have varied in details but generally involve a dual price structure. They are a form of measure generally adopted since the wheat price decline started 3 years ago. Domestic prices have been fixed considerably above world prices while exports are made at regular market prices, the difference or loss being met by special forms of taxes or credit though in most cases by government appropriation. For the most part the few remaining export dumping plans for wheat are of a less ambitious nature for the 1932-33 season, partly as a result of reduced crops but mostly on account of stringent financial conditions.

The multitude of other measures adopted in both importing and especially the exporting countries in behalf of wheat producers have indirectly exerted a considerable influence on the world wheat situation during recent years. They have affected not only the production or supply aspect but also the marketing or demand aspect. In substance the measures such as production bonuses and minimum prices, credit extensions, reduced or remitted taxes, and reduced freight rates are temporary expedients improving the competitive position of the producer. Any elasticity of acreage as dependent upon price or costs has thus been largely counteracted, particularly in importing countries by the additional aid of protection. To even maintain acreage, let alone increase it, as has been done in most importing countries, requires considerable protection from competitive conditions in the world wheat market today.

Numerous countries, primarily deficit areas, have adopted price stabilization and control measures and now maintain their level of wheat prices as high as $1 a bushel or more. Direct production bounties or bonuses of 5 cents or more a bushel were paid on wheat marketed last season in the great surplus areas of Canada and Australia. Agricultural credit and loans have been particularly common forms of aid while tax and other debt obligations have received special consideration in some countries. Marketing, also, especially cooperative, has been aided notably by loans and storage subsidies to prevent seasonal dumping after harvest and to encourage improved sales methods and standards of quality.

I. WHEAT AND FLOUR: Import restrictions, November 1932

Country	Domestic disappearance a/	Production 1930-1932	Tariff duties b/ Wheat	Flour	Milling quota (domestic)	Licenses and monopolies	Foreign exchange	Other
	1,000 bushels	1,000 bushels	Cents per bushel	Cents per 100 pounds	Per cent			
United Kingdom	257,700	41,000	6 par, 4 cur. on nonEmpire	10% on non-Empire			Depreciated about 35%	Empire preference treaties; domestic production subsidized
Germany	181,551	160,000	162 durum 113	466	97 basic $2\frac{1}{2}$ admix. potato flour	Semi-official trading company	Allotted 50% of 1931	Price stabilization by trading co; Exchange Plan; relief by loans, reduced interest, etc.
France	295,933	247,000	Min. (U.S.)85 max. 171	227 to 329	97 (99 rep. Dec.8)	Import license	Some exchange surtaxes	Storage subsidy for price stabiliz; treaties with Rum. and Yugo.
Italy	278,746	244,000	107	268	95 except certain regions			"Battle of wheat" campaign; storage constr. subsidy; agric. loans
Netherlands	36,454	8,700	Free	Free	25			Fixed prices (average for 1932-33 $1.32)
Belgium	55,909	13,700	Free Sales	5 tax 2%	10	Import permit		New areas subsidized
Denmark	20,207	10,400	Free	Free			Dep. around 1/3	Temp. leniency in tax and interest collection
Sweden	22,307	21,600	18	53	90 wheat 97 rye	Import monopoly	"	Export cert; fixed prices for surp. June 1, 1933
Norway	7,950	700	Free	Free		Complete monopoly of trade	"	Bounty to producers for grain used, also fixed prices
Spain	126,660	154,000	Minimum fixed for Maximum	(U. S.) 10 day per (triple)	Nominal embargo on impts.	Import monopoly	Depreciated about 42%	Minimum price; wheat growing considered public utility
Czechoslovakia	61,593	48,500	44	176	5 admix. potato flour	Import certif.; grain Syndicate	Controlled	Clearing agreements with neighboring countries; price stabilization by Syndicate
Greece	29,682	13,400	Minimum (U. S.) 24	72	25 (Oct-Apr.)	Monopoly	Controlled also dep. about 55%	Price stabilization by monopoly; loans; production and marketing aid

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	1,000 bushels	1,000 bushels	Cents per bushel	Cents per 100 pounds	Per cent	Import license	Rigid control	Trade treaties; sowing premiums
Austria	26,434	11,400	61	234				
Irish F. State	19,705	c/1,200	Free	30		Import permit	Dep. about 35%	Price fixing and acreagr expansion proposed
Portugal		15,000	Fixed imports	when permitted	20 admix. rye&corn	Complete monopoly	Dep.about 1/3	Minimum prices, prod. bounties and loans
Switzerland	21,097	4,000	3	39		Licenses and fixed quota; state control		Min. price about $2.00 a bushel;state storage reserves;reduced frt. tax of $1.05 a bu. if imports not accord. reg.
Latvia	4,308	4,200	36.8	214		Monopoly	Controlled	Minimum prices; treaties; loans
Lithuania	5,846	8,700	83	409				Minimum prices; treaties agrarian reform
Finland	6,273	1,200	50	135 - 225	60 (rye)	export certificate	Dep. about 44%	Partial moratoria; credit aid
Esthonia	2,014	1,700	Minimum 80	(U. S.) 220-353		Monopoly	Controlled	Minimum prices; treaties;credit aid
Egypt	45,912	c 40,766	sliding 66 - 108	scale 124 - 193			Dep.about 35%	Marketing aid; Cotton area limited
China	905,239	c/940,832	Free	Free			Dep. half from 1930	Flour tax 2¢ a bag; wheat credit purchase U.S.
Japan	44,662	31,000	26	75			Dep.about 60%	Gov. control of rice trade;proposed relief
Brazil	37,683	c/ 5,100	Minimum 10 Maximum	(U. S.) 44 25% more		Exchange permits	Dep. about 37%	Debt moratoria; embargo on flour to Feb. 1933
Cuba			8.7 taxes	42 taxes	10 yucca flour			10% sales and 1/2 cent a lb. consumption tax; reciprocity treaty U.S.
Union of South Africa	12,636	c/ 8,126	Dif. cost and fixed price		1	import license		Minimum price $1.64; treaty with Canada
Turkey		90,000	82	202		Flour embargo	Depreciated	Credit aids; Consumption tax

a/ Wheat retained in country for all purposes except seed, average 1926-27 to 1930-31; b/ At current exchange where depreciated. c/ Average. 1926-1931.

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Legislation in importing countries

Europe has generally accounted for over 80 per cent of the world's import trade in wheat and flour. During the period 1925-26 to 1929-30 the United Kingdom, Germany, Italy and France had two-thirds of the European shipments and fifty-five per cent of the world imports of this bread cereal. The wheat and flour trade of the United Kingdom in turn has practically equalled the total for the other three import countries. Considerable similarity is evidenced in much of the government legislation of Germany, France and Italy and some of the smaller importers while that of the United Kingdom is singularly different in extent and scope.

United Kingdom (England & Wales; Scotland & Northern Ireland) -

Traditionally the United Kingdom has been thought of as a free trade country. The past year, however, has witnessed a drastic modification of this century-old policy. At the Ottawa Conference in August, agreements were concluded and recently ratified by the British Parliament, providing for a duty on non-Empire wheat imported into the United Kingdom. This duty amounts to 2 shillings per quarter of 504 pounds (6 cents at par and about 4 cents current exchange). Canadian wheat shipped from United States ports in order to be granted Empire preference or tariff immunity must contain proof of definite and through consignment. Reconsignment from the United States, (Late Nov.) interpretation is/ not permitted which is expected to modify wheat marketing practices and alter shipments somewhat. When the measure went into effect on November 16 some uncertainty appeared in the markets and two separate price schedules were used, one on Empire and the other on non-Empire wheat, which reflected most of the difference of the current rate of duty. It is possible, however, for supply and demand conditions for different types of wheat from various countries to offset to a considerable extent at times the amount of such a duty.

As for flour, a 10 per cent ad valorem rate was imposed effective last March 1 on all flour imported from non-Empire countries. The Empire preference was specifically granted up to November 15 of this year and as a result of the Ottawa Conference, free entry for Empire flour is to be continued.

In May of this year, a Wheat Act was passed granting a bounty to wheat growers by means of a minimum price guarantee - the regular market price being received during the year and the bounty or deficiency payment at the end of the marketing season on July 31. This Act guarantees to producers of home grown millable wheat a price of 10 shillings per hundred weight (about $1.30 a bushel at par and 85 cents at late November exchange) on a specified total quantity of wheat-50,400,000 bushels or approximately the 1926-1930 average. The minimum price guarantee applies to the 1932 crop and is to continue in effect until August 1, 1935. The Act imposes on millers and importers of flour the obligation to make "quota payments" into a special fund for maintaining the price guarantee thus providing in effect

for a bounty to the producers at the ultimate expense of British consumers of flour. Though British wheat growers have a secure market at an artificial price level, it does not involve a subsidy from the Treasury and does not encourage the extension of wheat cultivation indefinitely for when production exceeds the 50,400,000 bushels total, growers received a prorated price depending on the amount of the surplus. No direct interference with the free importation of wheat into the United Kingdom appears to be effected by the Act, though flour millers are required to purchase any domestic millable wheat that remains unsold in June. Indirectly, however, any increase resulting in production may slightly reduce import requirements. Production the past three years, 1930-32 has averaged only about 41,000,000 bushels compared with a 51,576,000-bushel average from 1926-1929 and 61,237,000 bushels for the period 1921-1925.

Depreciated exchange, since the suspension of gold payments in September 1931 has also been something of a disturbing factor in the wheat trade but not a very active barrier. Of the four important sources of wheat supplies (Canada, Australia, Argentina and the United States) for the United Kingdom, only the United States does not have depreciated exchange and the usual barrier affects of such depreciation as indicated by shifts in trade have not been readily perceptible on account of the United States not being on an export parity basis during most of this period.

Germany

Germany can lay strong claims to having the maximum legislation affecting the wheat trade in the principal importing countries. Government intervention in support of domestic agriculture has long been an outstanding phase of German national economic policy. In recent years, however, and particularly since the collapse of prices in 1929, the measures adopted in support of prices of agricultural products as well as other forms of agrarian relief have been more numerous and more varied, and barring perhaps the World War period, more drastic than at any previous time. The system of protection, evolved the past 3 years by trial and error, is now highly elastic and can be readily adapted to the changing supply and demand conditions.

At the present time, the German government legislation with respect to wheat and flour, includes an unusually high basic tariff rate; milling and mixing regulations; import certificates and the "wheat exchange plan"; allotted exchange; baking regulations and a fostering of increased use of wheat substitutes as rye and potato flour. Considerable direct aid to domestic producers has also been granted in various forms. Under the stimulus of high prices growing out of this protection, German wheat acreage and production has increased greatly, and except for the lack of certain milling types, Germany appears to be on a self-sufficient basis this year, particularly considering the large rye and potato crops. The average production from 1930-1932 was 154,000,000 bushels as against 142,000,000 for the 4 years 1926-1929 and 98,700,000 bushels during 1921-1925. The final 1932 wheat estimate

is placed at 183,827,000 bushels. Both wheat acreage and production in 1932 were record amounts and intensions to plant this fall for harvest in 1933 indicated a further increase.

The present basic German <u>tariff</u> rate on wheat is $1.62 a bushel and on flour $4.66 per 100 pounds. The duty on wheat except for some special contingents imported free or at lower rates has remained unchanged since October 26, 1930 and the rate on flour since June 10, 1931. Modifications of the basic duty on wheat include a special rate on durum wheat, a maximum tariff for certain countries, and special concessions for wheat imported under the "wheat exchange plan". For durum wheat used in the manufacture of semolina a duty of $1.14 became effective August 1, 1932 prior to which time and since November 1930 it had been 73 cents a bushel. Wheat imports for the production of wheat starch continue to pay a duty of 73 cents a bushel which was adopted in January 1931. A maximum import tariff was authorized in March 1932 to apply to those countries not having trade treaties with Germany or who discriminate against German goods. The maximum rates established were $1.94 a bushel on bread wheat and 91 cents a bushel on durum.

Under the "wheat exchange plan" import certificates are issued for wheat, rye and milling products exported between August 1, 1932 and February 1, 1933 which may be used in full or partial payment for wheat import duties. For exports made during the first 3 months of this period, August-October, a like amount of the respective grains may be imported duty free while the certificates issued for exports between November 1 and January 31 next call for the payment of a duty of about 5 cents per bushel on wheat and 3 cents on rye. The corresponding duties last year were 13 cents for wheat and 6 cents for rye.

The German tariff record of recent years with respect to wheat and flour is noteworthy as it indicates rather clearly the trend and strength of agrarian protection policy.

Date effective	Wheat Cents per bushel	Flour Cents per 100 lbs.
During World War and to Aug. 31, 1925	Free	Free
1925; September 1.	48.6(Gen'l)US 22.7	86
1926; August 1.	" " " 32.4	108
1927; April 11 and July 1	" " "	124-139
1929; July 10	" " " 42.1	157
1930; January 20.	61.6 " " "	
1930; February 11	" all general	200
Changes March, April and September.		
1930; October 26.	162	556
1931; June 10		466

In April 1930 a Tariff Revision Law was passed which gave the executive government authority to revise the duty on wheat so that the yearly average price on the Berlin Produce Exchange would be not less than 260 R.M. per metric ton ($1.69 per bushel). Prices since that time have averaged near that figure,

notwithstanding the fact that very little wheat imported pays the basic duty but enters under special conditions at lower rates. Any significant increase in bread prices as has often occurred toward the end of the season when domestic supplies are diminishing is usually the cue for special import contingents at reduced duties. During May and June 1932 certain mills were permitted to import a fixed wheat contingent at $1.16 per bushel.

The milling and mixing quota form of restriction inaugurated by Germany on August 1, 1929 and which has been subsequently adopted by a dozen European countries, required the use of 40 per cent domestic wheat. A month later and effective until July 1 of the year following, 50 per cent domestic wheat was necessary in milling operations; during the next crop year a maximum of 80 per cent was reached and in August of 1931, this was raised to 97 per cent which has been the basic rate since that time. Of the foreign wheat imported against export certificates under the "Exchange Plan" millers may use a total of 30 per cent with 70 per cent domestic. Inland mills, however, who are not members of the Exchange cartel and are unable to secure foreign wheat against export certificates, continue to use only 3 per cent foreign wheat. The maximum amount of foreign durum wheat permitted during the 1932-33 crop year is fixed at 45 per cent of the quantity milled in the calendar year 1931.

The import certificate system is no longer a separate and distinct form of restriction but comprises modifications of tariff rates and milling quotas as noted above. The system was first inaugurated nearly 40 years ago as a form of export debenture but since 1925 and particularly the past 2 or 3 years it has been practically merged with the tariff and quota systems and for practical purposes may now be called the Exchange Plan - exporting German wheat from surplus sections and importing like quantities into deficit areas. These exports are generally of special foreign types for milling mixtures such as U. S. hard winter and Canadian Manitoba. On the other hand, Germany becomes a wheat exporter and reduces foreign needs of soft wheat by nearly as much as she imports. Important quantities of the soft German wheat have found their way to the English market this year and some to Italy.

Foreign exchange transactions were placed under the control of the Reichsbank shortly after the crisis of July 1931. The purchase of exchange is limited to a specified percentage of previous requirements which for several months has been 50 per cent of a year ago, with permission to use part of this quota during the next adjacent month.

In addition to these direct forms of government interference in the wheat trade, the indirect effect of legislation with respect to rye and potatoes on wheat should be noted. Baking regulations have been adopted and continue in effect to a limited extent which require the use of certain flour mixtures for baking bread and other products. An admixture of

5 per cent potato flour with wheat flour was required during the period October 16, 1931 to April 15, 1932 and in October of this year the admixture was fixed at 2 1/2 per cent potato flour with wheat flour and rye flour. The German baking industry is expected to use about 66,000 short tons of potato flour mixed with wheat this year. One of the measures adopted to increase rye consumption and decrease the use of wheat was the decree of December 1, 1930 providing for the compulsory mixing of 30 per cent rye flour with wheat flour in all loaves weighing more than 200 grams (.4 pounds). This decree was nullified on March 3, 1931 when rye supplies were reduced but a recent decree (September 1932) again requires the mixing of rye flour (2 1/2 per cent) with wheat flour for baking purposes.

Government aid while primarily directed toward reducing and controling imports has also been widely concerned with the production and marketing aspects of the domestic grain growers situation. In fact, crop financing measures are a very important part of the German government activities in support of the grain markets. In recent years and especially this fall, great efforts have been made to relieve the seasonal pressure after harvest by strengthening credit facilities, establishing government subsidies to reduce storage costs and other relief measures in favor of grain producers. Official grain standards were introduced effective in August 1932. The German Grain Trading Company, a semi-official monopoly established in March 1926 with authority to carry on price stabilization activities for rye and later fix and regulate corn prices has also engaged to a limited extent in wheat price stabilization. Special efforts this crop-season are being made by the Government to have organized groups of the trade and processors make grain stabilization purchases to help reduce seasonal fluctuations. The domestic price of wheat at Berlin in 1932 has ranged from a high of $1.79 per bushel in May (20) to a low of $1.25 in October (28).

The "Eastern Relief" measure (Osthilfegesetz) adopted November 17, 1931, while not specifically a wheat aid law is worthy of mention here. The large region affected including East Prussia and part of West Prussia and Silesia (almost entire area east of the Elbe River) has generally been a surplus area for bread grains. High transportation costs, heavy land indebtedness and stringent farm credits have featured the situation here in recent years. The relief measure is designed to reduce the transportation and interest costs and to extend and improve credit and transportation facilities and land development.

In January of this year the German government also established a guarantee fund for purchases of seed and fertilizer as an emergency aid to agriculture in order to ensure the German 1932-33 food supply. On September 27, 1932 the new agrarian program was announced which provided for (1) a lowering of mortgage interest rates by 2 per cent, with a minimum rate of 4 per cent applying to long-term mortgages against farmers; (2) additional

government credits to cooperatives and (3) a moratorium for the present of court foreclosure sales against farmers.

France

Though France exercises considerable control over her wheat and flour trade there appears to be a national reluctance toward official interference or state control designed to expand the wheat area. The trade restrictions include: high tariffs, milling and mixing regulations; import quotas; import licenses and surtaxes for countries with depreciated exchange. Some special aids to producers, particularly credit forms, marketing assistance and agricultural extension work, have also been granted. French North Africa is a wheat export region, especially for durum wheat and bears a close relation to the measures adopted in France in its grain protectionist policy. Algeria is considered part of France from a customs standpoint and special consideration and exemptions are granted Morocco and Tunis. For these reasons, France and French North Africa are discussed together at this point.

France maintains a maximum and a minimum schedule of duties on wheat, the latter now being twice the former. The minimum rate applies to those countries with which France has most-favored-nation agreements and to the United States. At the present time this duty is 85.4 cents a bushel and has been in effect since May 22, 1930. The general rate is $1.71 per bushel. Canadian, Russian and Australian wheat are subject to the general rate while Argentina, the Danube Basin wheat exporting countries, and the United States enjoy the minimum duty. Until July 16, 1931, however, the minimum and general rates on grain and grain products were the same. Most wheat imported from the French North African countries is not subject to a duty. The present flour duties in France vary according to the per cent of bolting or fineness of milling - the finer flours have the smaller duty since pastry and cake baking are of considerable importance in the French trade. The present duties have been effective since May 20, 1930 and amount to $2.27 per 100 pounds for flour bolting 70 per cent or more gross weight; $2.84 for that bolting between 60 and 70 per cent, net weight and $3.29 for that bolting 60 per cent or less net weight. Earlier rates for recent years on wheat and flour were:

Date effective	Wheat Cents per bushel	Flour, bolting 70%	60-70%	Below 60%
		Cents per 100 pounds		
1925, Jan. 1 (in force)	31	52	64	76
1926, 2 changes	17-8 (soft)	42-55	52-67	61-80
1927, 3 " on wheat	20-27-37	80-107	92-128	103-142
2 " on flour				
1929, May 24	53	142	178	204
1930, May 20	85.4	227	284	329

Supplementing these import duties on wheat and flour the French government established a further defensive measure on November 16, 1931 called "compensatory exchange surtaxes". This is a special duty or tax imposed on all goods imported from countries with depreciated exchange, the amount of the tax being 11 per cent ad valorem for Canada and 15 per cent for other countries. At the present time this surtax for wheat and flour is applied to 16 countries of which Argentina, Australia, and Canada are the most important wheat sources. Imports which come indirect, that is, through any other European country from overseas points are also taxed.

France followed Germany in establishing domestic milling regulations, in 1929. A record wheat crop had been harvested, one equal to a little more than average domestic requirements, and was not being readily used. On November 30, 1929 an act was passed giving the government authority to compel millers to use a fixed percentage of domestic wheat in their milling activities and on December 15 the maximum foreign wheat quota in the manufacture of wheat flour was fixed at 3 per cent, which is also the present rate on bread wheat.a/ This percentage has changed from time to time, however, in accordance with the domestic supply and price situation. The maximum foreign wheat percentage quota in 1930 was 10 per cent, effective from June to the following April; 30 per cent for a short time in June 1931 while in 1932 a 50 per cent maximum was allowed from May 28 to June 17. For durum wheat a maximum of 3 per cent foreign wheat for the manufacture of semolina has been required since August 1, 1932, prior to which date 10 per cent was allowed during the previous year and 30 per cent for the period June 29, 1930 to July 15, 1931. Domestic supplies of durum are largely obtained from the French North African countries. In Algeria at least 30 per cent domestic durum wheat is required in milling operations according to a decree around December 1, 1932.

Notwithstanding this rigid control over the amount of foreign wheat that can be used in milling, considerable quantities are said to have been used in excess of the stipulated percentage during 1930 and 1931 so that imports were not reduced as much as anticipated in those seasons. The loophole appeared in that the original law applied only to wheat used in the manufacture of flour, with wheat declared for a purpose other than human consumption (animal feed, seeding etc.) subject only to the duty. It appeared, however, that much of the wheat imported supposedly for other purposes found its way to the mills and was used for mixing with domestic wheat. Double enforcement was secured by 2 measures enacted in November 1931.- the first requiring the eosinizing (artificial coloring) of wheat imported for use other than flour manufacture and the second restricting imports to those covered by licenses granted by the government. Both importers and millers must secure licenses from the Ministry of Agriculture if they handle foreign wheat even for temporary admission, the latter becoming effective November 14, 1932. They are also required to account at any time for all foreign wheat imported. Several of the large mills export an equivalent quantity of domestic wheat in the form of flour, thereby permitting them to utilize a higher percentage of foreign wheat in the manufacture of flour for

a/ As this is being mimeographed a cable received states milling quota to be changed to 99 percent domestic or 1 percent foreign wheat around December 8, 1932.

consumption in the Paris market. A general Wheat Exchange Plan for France similar to that used in Germany is reported under consideration. Soft and generally weak domestic wheat would thus be exported and like amounts of strong foreign wheats imported duty free. An export or import certificate system would accompany such operations.

The import license system on wheat was extended to flour of both wheat and rye by a decree passed February 14, 1932. Such flour now can be imported only when import permits have been secured and after importation the flour must be sold only to a miller or baker. Also this foreign flour may not be sold or used for bread making or for other alimentary purposes except in proportion to the established milling quota for foreign grain. The maximum wheat flour extraction was fixed in October 1932 at 66 per cent.

The import quota or contingent scheme adopted September 30, 1931 was a contributing factor and to some extent furthered the need for licensing since in general it was found that the scheme tended to produce a heavy rush of imports at the beginning of the quota period. These quotas provide for absolute amounts by countries and combined with special import licenses may be somewhat discriminatory. The only wheat and flour quota at present, however, other than that included in commercial treaty contingents at preferential rates is with French Morocco and Tunis - Algeria being considered the same as a department of France. The quota amount which is duty free is generally large enough to take care of a good share of the export surplus. The size of the wheat crops in France and Algeria are important factors in determining the quota. Separate quotas for durum and bread wheats are made. This year - June 1 to May 31 next, 6 million bushels of bread wheat, over half a million of durum and 13 million pounds of durum wheat flour or semolina are permitted from Morocco into France and Algeria. Shipments have to be spread out over the entire year though a large share is permitted to enter during the summer before the French domestic crop is harvested. Two decrees were published on May 22, 1932 making lawful preferential commercial treaties between France and the two Danube countries, Rumania and Yugoslavia. An import quota of wheat not exceeding 10 per cent of France's total import requirements (to be determined in September and October each year) is granted to these countries. Minimum tariff privileges are enjoyed and a sum not exceeding about 30 per cent of the customs duty may be remitted, depending on world wheat price levels, for special concessions granted by those countries to specified French articles. The duration of the agreement is fixed at 3 years with privileges of extension upon agreement by the parties concerned.

On the side of government aid to producers which has an indirect effect at least on the import situation in France, there is a recent decree (Oct.) providing for a government subsidy of wheat storage by financing the holding of about 22 million bushels of wheat during the present marketing year. Heavy farm offerings from a record crop have caused a marked decline in prices this fall despite the protected domestic market. From early August to the middle of October a decline of about 45 cents was registered.

This subsidy is a further extension of the law of April 30, 1930 and its subsequent decrees providing for the formation and maintenance of a permanent stock of wheat and wheat flour as a military supply. Such supplies have not been bought by the military supply division but farmers and agricultural groups (cooperatives, etc.) as well as grain merchants and millers by contracting not to sell certain amounts during specified periods receive in return payments corresponding somewhat to (1) interest on capital invested and (2) storage costs plus some profit. A development of agricultural cooperatives and more orderly marketing was also hoped for by this legislation and marked progress has and continues to be made along this line. Special long term government credits at 2 per cent for two-thirds of construction costs of storage houses and elevators was offered cooperatives. Special immunity to certain taxes are also granted cooperatives. At present, however, neither the storage scheme nor credit aids appear sufficient to adequately support the growers and proposals of a state monopoly control of the grain or of definite price fixing have been suggested. a/

In Algeria grain prices after harvest are usually low and this year they were abnormally so. As a result the government by a decree in August adopted a special credit warrant system similar in spirit as well as economic application to the "military supply" system in France as noted above. A stock of hard and soft wheat will thus be maintained in Algeria until after the new harvest by reason of certain financial inducements granted by the government. In Tunis special credit loans have been granted to wheat farmers along with reduction in interest charges. In Morocco a recent decree provides for the regulating of the domestic wheat market by a government commission. Stimulating increased domestic use of durum wheat to permit more bread wheat exports was one of the commission's efforts in order to improve the domestic price situation.

Notwithstanding the numerous government measures restricting imports and thus aiding domestic producers, wheat acreage and production has shown no definite upward trend in France the past 12 years, in fact the acreage from 1930-1932 has averaged slightly below that of 1926-1929 and about 4 per cent below the 1921-1925 average. Fall plantings for harvest in 1933, moreover, are estimated as slightly below to those of last year or somewhat less than average. Some increase in French North African acreage and production is noted. In order to maintain wheat acreage in France it is reported growers must receive about $1.35 a bushel. The price of domestic wheat at Paris during 1932 has ranged from a high of $1.87 per bushel in June (3rd) to a low of $1.15 in October (7th).

Italy

The government "battle of grain" has featured the Italian nationalist program in recent years. It started in 1926 and has been an attempt to make Italy self sufficient in regard to cereal requirements. This objective has been hailed as being practically reached with the 1932 record harvest. The battle has been fought by the price supporting measures of tariffs, milling

a/ Cable received as this is being mimeographed states "Government proposing 300,000,000 francs - $11,760,000 for crop financing".

regulations and clearing agreements; by compulsory cultivation and forceful propaganda encouraging increased yields and by promoting the rice industry to supplement cereal requirements. A high protective tariff forms the basic strategy of the campaign. Since August 1931 it has amounted to $1.07 per bushel. Previous rates and changes showing the rapid upward trend were: 87 cents effective June 1930; 74 cents in May 1929; 58 cents in September 1928; 39 cents in July 1925 while during the previous 10 years it was duty free. Flour rates have also advanced sharply. On July 24, 1925 a rate of $1.01 per 100 pounds was imposed after free entry had been granted during most of the preceding year. In September 1928 this was raised to $1.47; in May 1929 to $1.78; in June 1920 to $2.08; in July 1931 to $2.22 and a month later to $2.68 per 100 pounds, which continues as the present rate.

The protection afforded the domestic wheat industry by the tariff, however, was held inadequate and in June 1931 milling regulations were adopted requiring the compulsory use of a specified percentage of domestic wheat in all flour manufactured for consumption in Italy. The percentage was fixed at 95 for home-grown wheat and 5 per cent foreign. Growers anticipated even higher prices by withholding wheat from the market and so made for a shortage especially of hard or durum wheat which caused a revision of the milling quota to permit 25 per cent foreign hard (durum) wheat after November 1, 1931. This percentage was increased to 50 per cent on January 1, 1932 and to 80 per cent on February 1 when the soft or bread wheat percentage was also changed to 30 per cent foreign. Because of the regional distribution of the soft and hard wheat producing areas the government since March 1, 1932 has fixed different milling quotas for northern and southern Italy. Some further extensions of the foreign wheat quota were allowed during the remainder of the 1931-32 crop year but effective in July 1932 the milling quota for the coming year was reestablished at 95 per cent for both durum and breadwheats except in central and northern Italy where 30 per cent foreign durum is allowed and in Sicily where 30 per cent foreign bread wheat is permitted.

The milling regulations do not apply to flour except that if flour of inferior grade is mixed with flour of superior quality it must be sold under the name of the lower quality. Only very small quantities of foreign flour are imported, however. Since 1927, mills have been required to have a special license and have been subject to strict government control. In June 1932 a law regarding new flour types reduced them to four and the qualities of bread to three; luxury, first quality and common. The new law makes it comparatively easy for the government to fix flour prices in connection with its wheat policies. Also it appears that these types are especially adapted to the use of domestic wheat and will help facilitate the utility of the milling restrictions. Some compensation agreements have also been adopted between Italy and Danube countries and Germany to facilitate the transfer of exchange. The Italian currency, however, is not depreciated nor ridigly controlled.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

In addition to these restrictions the government has been very active in furthering agriculture and especially the wheat industry. A general land improvement and reclamation scheme has been in effect since 1923 and substantial appropriations especially since the Mussolin Act of 1928 have been made for it. Wheat growing is practically considered a "public utility" and any landowner who does not do his duty in cultivating his land and increasing crop production for the nation loses title to the land.

Much of the emphasis in the battle of grain has been placed on better production methods and increased yields per acre by means of intensive methods of cultivation and a wider use of fertilizers rather than expanding the wheat area. Before the war the average yield per acre was 15 bushels, this year it was over 22 bushels per acre. The record 1932 crop is placed at 276,000,000 bushels, the 1930-32 average production at 244,000,000, the 1926-29 production at 226,000,000 and the 1921-25 average production at only 198,000,000 bushels.

The Italian government is now subsidizing the building of silos and grain storage houses for farmers and when expedient it may order the formation of obligatory consortiums of farmers for the construction of such grain storehouses. Up to 25 per cent of the cost is contributed by the government and up to 50 per cent may be loaned by it at the low rate of 2 1/2 per cent. Extensive credit or production loans have also been granted to grain farmers during this "battle of grain" period and in the important and potentially greater wheat district of Apulia the debt repayments where necessary and desirable have been spread over a twenty year period to relieve present strained conditions and promote further expansion and production. As a further supplement to wheat legislation the Italian government has subsidized the rice industry to help satisfy the domestic cereal requirements. In October 1931 an export bounty on rice was established and price fixing adopted. The price of domestic wheat at Milan in 1932 has ranged from a high of $1.87 per bushel in May (13) to a low of $1.35 in August (5).

Netherlands

The Netherlands has long been known as a "free trade" country and at present is one of a very limited number of countries which still imposes no duty on wheat or flour unless shipped in very small packages (about 2 1/2 pounds). Some rather drastic measures, however, have been adopted the past two years in behalf of certain branches of agriculture including wheat, such as wheat milling regulations and price fixing. A Wheat Act was passed in February 1931 authorizing the government to regulate and control the wheat and wheat flour trade of the country. The law is to remain in force until August 1, 1934. Under its general provisions several decrees have been issued as establishing two broad classifications for wheat flour, fixing the amount of domestic wheat that must be present in ordinary flour, setting up a series of organizations for administering the plan and authorizing the government to fix prices of domestic wheat.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

Class A flour which is used for bread making and is subject to the milling regulations must now contain 25 per cent domestic wheat. The present percentage became effective August 8, 1932 prior to which it has been 22-1/2 per cent since September 7, 1931 and for the two previous months, that the law had been in effect, it was 20 per cent. The present percentage is the maximum domestic wheat milling quota permitted under the law and farmers' organizations are now asking for a further increase in the percentage. Class B flour, used for special purposes as crackers, macaroni et cetera may have a higher percentage of foreign wheat but this class is subject to such strict supervision and formalities that many bakeries are said to use only class A flour without special regard to the ultimate quality of their product. In order to carry on domestic trade in wheat and flour, dealers must be licensed and obtain special permits.

To facilitate marketing control and price fixing of domestic wheat and also supervise to some extent wheat culture, storage and shipments, eight regional organizations, covering all of the Netherlands have been formed. All farmers must become members of the regional organization to receive the aid from the Wheat Act. The eight regional organizations who purchase the wheat from the farmers have formed in turn a central body called the Central Wheat Organization located at Rotterdam and which is the only recognized seller of domestic-grown wheat in the sense of the Wheat Act. A similar central wheat buying organization of the Dutch flour millers known as the Association of Domestic Wheat Consumers (V.I.T.A.) has also been formed for mutual benefits of the members.

The average price of domestic wheat of the 1931 crop was fixed at $1.37 per bushel or more than twice the prevailing cost of the best foreign wheat. Prices paid by the V.I.T.A., however, for first quality wheat ranged from $1.62 to $1.73 per bushel plus a commission charge of 1/2 to 1 per cent. Prices during the 1932-33 crop year are fixed at a somewhat lower level (to average about $1.32 per bushel) but are still over twice the cost of foreign wheat. This year, however, they apply to only about half the 1932 harvested crop, the remaining supplies being sold at auction or otherwise marketed by the Central Wheat Organization so that growers returns are really not as much as the fixed price schedule would indicate. There is some price spread or variation made according to the different qualities and during succeeding months with the highest price fixed for next June. Farmers receive about 12 cents a bushel less than the fixed market prices while millers and in turn consumers pay a price somewhat above the stated price schedule.

The wheat acreage and also the crop in 1932 at 13,300,000 bushels was about double that of 1931 and other recent years showing the immediate response to these high fixed prices which made wheat growing relatively

not plant in excess of one third of their 1932 crop land to wheat. This would reduce the acreage to more nearly normal or average again. Improvement in the quality of domestic wheat is also one of the objectives of the Wheat Act and its administrative organizations. Land taxes are almost negligible except in diked or drained areas on account of the national system of income taxes. Reductions in rents is likewise permitted in some cases under the emergency tenancy law.

Belgium

Though Belgium still permits wheat imports duty free and only taxes wheat flour 5 cents per 100 pounds, trade barriers exist in the form of milling restrictions, sales taxes, import permits and definite encouragement to the domestic industry. A sales tax of 2 per cent ad valorem c.i.f. is imposed on both wheat and wheat flour. Effective September 15, 1932 wheat used for breadmaking is required to be at least 10 per cent home grown and after January 1, 1933 this amount is expected to be raised to 15 per cent domestic. The decree also prohibits the granting of licenses for imports of soft wheat or flour into Belgium which are likely to be confused with domestic wheat and flour. The domestic milling quota prior to September 15 was 5 per cent but was only quasi-official as it was the result of an agreement of Belgium flour millers at the request of the Minister of Agriculture for the handling of the 1930 crop. The agreement was renewed for the 1931 crop. The millers under these agreements further agreed to pay a minimum price of about 76 cents per bushel.

Permits or special licenses from the Minister of Agriculture are also required for the importation and transit of wheat and wheat flour or semolina as a result of a decree effective March 19, 1931. This measure was adopted for wheat (already in force for flour since October 1930) in order to protect domestic producers from the dumping of wheat and flour on Belgian markets by foreign countries. Prior to the adoption of the permit system, certificates showing country of origin for non-Soviet wheat were required. Imports of the latter were regulated by special license permits.

With a view to increasing farm production Belgium has been granting subsidies for new areas cultivated since early in 1931. This subvention amounts to about $3.40 per acre and unarable lands made fit for cultivation are exempted from taxes for a period of 10 years. A recent proposal would also reduce the rent on farms. Acreage and production during the past decade have shown but slight increases. Many other agricultural aid proposals have been put forward in recent years, particularly for adopting a tariff, increasing the domestic milling wheat requirement to as much as 25 per cent or more, guaranteeing higher price levels and various tax systems. Some are still pending. In August of this year a law was passed concerning payment

for merchandise from countries having exchange control. No specific applications have been noted for its use but it may be invoked when a country's control of exchange seriously affects the rights of Belgian creditors or purchasers. Belgium has clearing agreements with Yugoslavia and Hungary.

The principality of Luxemburg which is under the Belgian customs union, has required a minimum of 10 per cent domestic wheat in flour milling for the past two seasons. The customs regulations are the same as those for Belgium.

Denmark

Denmark now remains as the only country in Europe and one of very few in the world that does not impose direct restrictions on her wheat and flour trade, other than those growing out of a depreciated currency. Though predominately an agricultural country, such interests have in general not sought protection behind trade barriers but have depended upon the development of efficient production and cooperative organizations. Some aid, however, has been afforded the past year to Danish farmers by the measure passed in October 1931 providing for a temporary reduction in the amount of taxes and interest on mortgages paid either by owners or tenants. A mild form of trade barrier was also established on September 29, 1931 when the gold standard was abandoned, though the principal effect of that act was to make a relatively favorable export situation for Danish pork and dairy products and thus aid domestic agriculture more than shifting to wheat to reduce import requirements. The krone is now about one-third below par and importers during the past year frequently had to obtain permission to make foreign remittances. A new currency bill effective November 1, 1932 and for 1-1/2 years authorizes a government controlled currency with allotment of foreign exchange. The average wheat acreage and production in Denmark from 1930-1932 was almost identical with that from 1926-1929 and around 15-20 per cent above the 1921-1925 average. Prices on the Copenhagen market represent as near a world wheat price as exists at the present time.

Sweden

In recent years Sweden has built a very extensive wall against cereal trade and has granted assistance to the domestic industry. The legislative measures adopted and now in force restricting imports and aiding wheat and rye producers are tariffs, mixing regulations, price fixing, export certificates, depreciated exchange, and rather extensive farm credit for production and marketing. The tariff on wheat is 18 cents a bushel, on rye 16 cents and on flour 53 cents per 100 pounds at current exchange rates and 27, 25 and 79 cents respectively at par. These rates have remained unchanged since 1924. The mixing regulations first established in June 1930 have been subjected to considerable alteration and revision since that time. They first provided for the compulsory mixing of Swedish wheat and rye in the local manufactured flour and the compulsory

mixing of Swedish flour with imported flour. The percentages of domestic grain and flour required started out in July 1930 at 45 per cent for wheat and wheat flour and 50 per cent for rye and rye flour. These compulsory percentages have been revised nearly every month or two since that time and for October 16 to November 30 1932 they are scheduled at 90 per cent domestic wheat and wheat flour (September 15 to October 15 the rate was 85) and 97 per cent for rye and rye flour, or the same as the previous month. The present percentages are the highest on record in Sweden. The range for domestic wheat during the past two years has been 50 to 85 per cent and for rye 30 to 95 per cent. The higher percentages have usually been in force only for the first month or two of the crop year though this year record crops have been harvested so that the higher percentages may be maintained for a somewhat longer period. In addition minimum percentages on domestic wheat, usually 5-10 per cent below those specified are permitted for imports at short intervals or for special milling lots.

Domestic wheat is purchased at prices fixed by the government. Minimum prices during the 1930-31 crop year ranged from $1.36 for wheat and $1.07 for rye in September to $1.51 and $1.21 for the 2 grains respectively in May and June at the end of the season. In May 1931, however, this system was modified by a decree granting an association of Swedish flour millers (The Swedish Grain Association) the sold legal right to import wheat, rye and wheat and rye flour up to January 1, 1933. In return for this monopoly concession the Association agreed to purchase not only all supplies of domestic wheat and rye of suitable milling quality offered but to also purchase any supplies of these grains still left on hand June 1 of each year at government fixed prices. The minimum prices for June and July 1931, during which months the surplus stocks must be purchased, were fixed by the government at 93 cents for wheat and 77 cents a bushel for rye at the current average exchange rates during that time. At par these prices would have been $1.35 for wheat and $1.12 for rye. The rates fixed for surplus supplies after June 1, 1933 range from 92 to 95 cents for wheat at current exchange, according to inland or coast mill location and for rye 79 to 82 cents. Prices during the remainder of the year are not fixed but millers are expected to bid up fairly well for domestic supplies to reduce the carryover and also in compliance with mixing regulations must buy certain quantities. During the past 3 months (September-November), however, domestic prices of wheat and rye have been considered low and out of relation to the prices fixed for next June. The system is also aimed to make for delayed or more orderly marketing of farm supplies immediately after harvest to prevent dumping as has been the tendency in the past.

Sweden has also had an export certificate system for wheat and rye since 1926 but it is of little practical significance at present due to a materially higher domestic price level than the export basis. The amount of the export certificate is equal to the duty but as Sweden has normally been an importing country it has had but a limited application except in certain cases of surplus production of particular classes or districts. It has

been held recently, however, that the present record bread grain crops are fully equal to domestic requirements and with the increased areas may before long make this system somewhat more effective. The record 1932 wheat harvest is placed at 25,831,000 bushels compared with the 3-year average 1930-1932 of 21,566,000 bushels, the 1926-1929 average of 16,203,000 and the 1921-1925 average of only 10,602,000 bushels. This unequalled rate of increase in wheat production the past ten years, except for the Baltic states where a similar situation is observed, is partly the result of a shift from rye to wheat. Rye is an important bread grain in Sweden, (formerly it was more important than wheat) and at certain price relationships they are substituted in bread uses for each other, particularly if the crop happens to be short for one of the grains. For this reason both grains have usually received similar legislative treatment in Sweden.

Depreciated exchange has also been a factor affecting Sweden's foreign trade since September 29, 1931. The krona is off about one-third and has fluctuated along with the pound sterling most of the year. Sales of exchange for essential imports have been restricted in many cases.

Production and marketing assistance have likewise been a stimulus to domestic agriculture in recent years and have helped to reduce the import requirements of bread grains. The wheat crop average production the past three years as indicated above is over twice that of 1921-1925. Financial assistance has been given farmers and farm organizations for extension of loans, building of elevators and marketing, especially loans for holding grain off the market for a while after harvest. A decree of July 1930 provided for the establishment of a Central Agricultural Credit Bank with local branch offices for extending credit and in June 1932 additional credit support for agriculture was granted in the form of loans without interest to farmers in distress.

Norway

Though there is no tariff duty on wheat and wheat flour or specified milling and mixing quotas, Norway maintains a very effective barrier in the form of a government monopoly of the grain trade (Statens Karnforretningen). The government maintained a monopoly for the importation, purchase and sale of grain and flour as early as 1917, partly as a result of the wartime food control and price-fixing measures. This monopoly appears to have continued until 1926 when some further modifications were made which went into effect in 1927. In addition to the monopoly right to import and purchase domestic grain the new law provided for a monopoly of the sale of domestic grain and the payment of a direct subsidy to domestic producers of grain for their own use. The subsidy amounts to about 30 cents per bushel at par exchange and 20 cents at the current rate and its milling must be certified.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

The monopoly law was extended further in July 1929 when the government was also authorized to take over any commercial mill in Norway and maintain a reserve supply of bread grain and flour equal to about 6 weeks needs. Monthly imports are fixed and also purchase and sales prices. Private mills, it appears, still do most of the milling though purchasing their supplies of course from the state monopoly which continues to enjoy exclusive import purchase and sales privileges of all grains and flour. The Norwegian State Grain Monopoly is managed by a director and a council of several members responsible to the King. Regional purchasing agencies have been formed to buy the grain as it is offered and all pay the same price unless the grain has to be transported over 12.5 miles when a small extra allowance is granted. Sacks are provided by the monopoly. The price paid according to the 1928-29 law depends upon the prices for which the monopoly sells the corresponding flour. Domestic prices for the 1932-33 season were fixed in August 1932 by the monopoly at 16.50 kr. for wheat and 14.50 kr. for rye ($1.20 and 99 cents at par and 74 and 62 cents per bushel at current exchange for the two grains respectively) which prices are the same as at the conclusion of the 1931-32 season but are slightly above those paid at this time last year.

Norway along with Sweden and Denmark suspended gold payments at the end of September 1931 and the krone has depreciated about one-third below par. No specific exchange control measures have been enacted, however. Though there have been no regulations prescribing that different bread grains be mixed for milling the Norwegian practice that has developed through popular preference is said to be to mix about 15 per cent of wheat with rye in the milling of rye flour. The monopoly has insisted on a standard quality of flour and has bought grain from various countries for the flour mills for their desired blends. Sudden shifts or reductions in the wheat and flour trade, however, are made readily possible by means of the monopoly control.

Manufacturers of macaroni, biscuits and other foodstuffs in which flour is used are required by law to purchase their flour supplies through the government monopoly, but under certain conditions special licenses are said to be issued by the monopoly to the manufacturers enabling them to import direct the special grades of flour from various countries.

The direct effect on wheat acreage and production exerted by the monopoly control and also the special fertilizer appropriations in 1929 for new wheat lands does not appear very marked as yet. The average wheat acreage in Norway the past three years, 1930-1932 has only been 30,000 acres which compares with 27,000 acres in 1921-1925. Production during 1930-1932 averaged only 707,000 bushels in 1926-1929, 685,000 and in 1921-1925, 637,000 bushels. Domestic utilization of wheat in Norway averages about 8,000,000 bushels with most of the recent imports from Canada and Russia.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

Spain

Though Spain has been practically self sufficient as regards wheat requirements and this season even appears to have a surplus, many forms of trade barriers and encouragements for domestic production have been adopted in recent years. Among these are tariffs and surtaxes, special regulations (practical monopoly) controlling the importation and sale of wheat including price fixing, special seed loans to wheat farmers and legislation providing for compulsory farming, improved methods and general agrarian reform.

An import duty of 76 cents per bushel has been in force for some time for wheat together with a duty of $1.90 per 100 pounds on wheat flour. These rates vary from time to time as they are on the basis of a gold peseta and since April 1932 only one-fourth the duty is payable in gold; the remainder being in Spanish money with the addition of a gold surtax fixed every 10 days according to the depreciated exchange. All imports of wheat are subject to a surtax of 7 gold pesetas (38 cents a bushel) and a minor import tax: in Barcelona a special surtax of 1 per cent of the duties is also imposed. The above rates are those of the second or lower tariff and apply to most countries including the United States. Australia is the only important wheat exporter paying the first tariff which on wheat and wheat flour is three times the second tariff. A virtual embargo has also been in effect since May 1930 when imports of wheat and wheat flour were prohibited until the price of wheat in the market of Castile for a month exceeded 53 pesetas per quintal ($1.18 per bushel at current November exchange and $1.80 at the exchange rate on June 1, 1930). An embargo on wheat imports was also in force from June 1922 to April 1925 and again from July 1926 to May 1928.

Minimum and maximum prices at which domestic wheat may be sold during the crop year were established by a decree in June 1930. The maximum price has been 53 pesetas or the average level at which imports could be made and the minimum price 46 pesetas. To make the fixed price more effective "shipping certificates" have been required since the summer of 1931 except in specified regions producing about 30 per cent of the domestic total but which tend to be more or less deficit areas and usually have a higher price level than the other regions. The certificates give all the details of the transaction and prevent "bootleg" sales. The government monopoly regulations resulted in an actual shortage of wheat in the Spanish market by the beginning of April 1932 and authorization of imports up to July 10 totaled about 10 million bushels. No import shipment of wheat is permitted without government authorization. Special cash loans to farmers to enable them to buy certain foreign seed wheats was also permitted by the decree of September 1931. No interest is charged for these loans and farmers are not obligated to give individual security. Those joining agricultural associations which pledge collective security receive preference on seed loans.

A further measure which has an indirect effect on Spain's wheat trade by encouraging domestic agriculture and reducing import requirements was passed in May 1931 and gave the government authority to enforce the utiliza-

tion of farm land in accordance with a program worked out by the state. If recommended approved farm standards are not immediately adopted by farmers the state itself will operate the farm, giving it back to the proprietors after harvest without any indemnity. Several important wheat regions were practically taken over by the government in the fall of 1931 in an effort to increase the low yields formerly received there. The record crop harvested this year indicates important success thus far. On the basis of this legislation, farming in Spain is no longer recognized as merely a private enterprise but rather as a public utility which must be conducted according to approved standards in the interests of national economy. Further agrarian reform measures were passed in September 1932 which would expropriate certain lands for state control and break up some of the large landholdings, especially uncultivated. After maintaining an average production during the two periods 1921-25 and 1926-29 at the same figure, 142,000,000 bushels, the average for the past three years 1930-32 has increased to 154,000,000 with the 1932 crop at the record amount of 178,499,000 bushels.

Foreign exchange in Spain has been depreciated since the war and is now only about 42 per cent of par. Exchange operations are under rigid control but have little effect in the Spanish trade due to the practical monopoly exercised by the government. Prior to 1930 when the nominal embargo was established milling and mixing regulations were used with as much as 25 per cent foreign wheat and flour permitted. Spain's pure food law is said to prohibit the mixing of more than 1 per cent of other grain with wheat for milling into flour but in some sections this percentage is reported considerably exceeded by the use of rye.

Czechoslovakia

Legislative measures affecting the wheat and flour trade of Czechoslovakia include tariffs, milling regulations, import licenses and exchange permits, and preferential treaties. From the very beginning of the new Czechoslovakian government after the war a policy of protection to domestic industries has been maintained and especially on agricultural products since June 1925. The system of protection, however, is an elastic one and can be adapted easily to changing situations. During 1931-32 the measures in support of the grain trade were eased in many respects as the crop was relatively small but with the large 1932 harvest a tightening of the protectionist measures has taken place and additional legislation has been proposed.

Rather high tariff duties have been used to a considerable extent as a bargaining method for reciprocal treaties. The present duty on wheat is 44 cents per bushel and on flour $1.76 per 100 pounds. These rates consist of two parts, a so-called basic rate of 24 cents on wheat and 94 cents on flour and a supplementary duty of 20 cents on wheat and 82 cents on flour. The basic rates have been in effect since July 1926 while the supplementary duties change from time to time. The latter rate on flour was increased

from 67 to 82 cents in September 1932. The supplementary rates were adopted in June 1930 on the sliding tariff scale principle for limiting cereal imports as was used from June 1925 to June 1926 before high fixed tariffs were adopted. Seed wheat and rye may be imported free under special permit.

The import certificate system was adopted for wheat and rye and some other grains in July 1926. These certificates have been issued for exports of the several grains and mill products and were tenderable in place of cash for payment of the import duties on the individual grains, except flours. This is really a type of export bounty like the German Exchange Plan.

Milling and mixing regulations for wheat and rye and their respective flours were in effect from November 1930 to August 1931. From November until the following May the domestic quota for wheat and wheat flours was 75 per cent with 25 per cent foreign wheat while for rye only 5 per cent foreign grain or flour was permitted. With domestic supplies considerably reduced, especially for rye, at the end of the 1930-31 season the percentage was changed in May 1931 to 50 per cent domestic and 50 foreign for wheat and wheat flour and 10 per cent domestic and 90 per cent foreign for rye and rye flour. The law expired on August 31, 1931 but at the end of October a new system of milling regulations tied up with import licenses was adopted. Accordingly import permits were granted for wheat and wheat flour in the ratio of 4 parts foreign when 1 part domestic had been purchased. This ratio has varied during the past year depending on the amount of the monthly import contingents allowed. The compulsory mixing of 5 per cent potato flour with wheat flour is also required for the 1932-33 season.

Import licenses or permits have been required for most agricultural products including wheat and flour since 1930 and must be secured from the Grain Syndicate recently formed, formerly from a special interministerial committee and earlier the Ministry of Agriculture. Import contingents have been announced monthly since November 1931 though consideration is being given (November, 1932) to changing to a yearly contingent basis. In general the import license system along with foreign exchange permits tends to prevent imports from countries with which Czechoslovakia has no commercial treaty and also to enforce the required use of domestic wheat. During the past year these import quotas have been allotted mainly to imports from Yugoslavia, Rumania and Canada. Some American wheat is reported to have been in a border bonded warehouse since May and June 1932 awaiting the issuance of import and exchange permits to allow entry into Czechoslovakia where it has been desired by millers.

In July 1932 a Grain Syndicate was formed which assumed almost monopolistic control of the import grain trade, and is attempting control of domestic prices. The Syndicate is based on an agreement between the government and organized groups of farmers, millers, grain manufacturers and the grain trade, and is supervised closely by the government. It does not represent a fundamental change from the import control by licenses as noted above but is a stronger type of organization than the interministerial committee. The

aim of the Syndicate is to regulate the flow of grain imports and by so doing to help in stabilizing the domestic market. All permits and changes in milling rates are subject to the Syndicate and an "intervention fund" for stabilization and increasing of prices is provided by government purchases of grain. The Syndicate is endeavoring to assure the minimum prices which were fixed by the government at $1.21 per bushel for wheat and $1.00 for rye. An increase of prices in excess of $1.41 and $1.15 respectively is to be avoided while if prices for imported grain are lower than the fixed minimum price the difference is collected from the importer.

In addition to the control of the import trade by the Grain Syndicate all foreign exchange transactions have been controlled by the National Bank since October 1931 and close cooperation between the Bank and Syndicate is maintained with regard to permitting imports. Products and quantities not considered absolutely necessary are refused exchange in many cases and particularly from countries with but limited trade with Czechoslovakia. Many special clearing or compensation agreements have been arranged with neighboring countries; in fact Czechoslovakia appears to have gone farther in developing this feature of protection than any other country. Proposals for reduction of interest rates and extension of cheap agricultural credit are also noted together with special seed loans where crop damage occurred this year.

Though wheat production in 1932 at 53,755,000 bushels is a record amount the 1930-32 average of 48,000,000 bushels is practically the same as the 1926-29 average but is notably higher than the 1921-25 average of 36,000,000 bushels. With the most marked increase in acreage and production of the past decade coming in 1926 and 1927, it would appear that the protective tariff schedules of 1925 and 1926 with perhaps some stimulus by the certificate exchange plan had accounted for most of the direct effect of Czechoslovakian legislation on promoting the domestic wheat industry.

Greece

The Greek government since the war has been making special efforts to encourage the cultivation of wheat and to improve the poor quality and small yield of the local crop. That considerable success has been attained may be seen from the production figures - the 1921-25 average of 9,417,000 bushels was increased to 12,476,000 during 1926-29 and to 13,428,000 in 1930-32 with the 1932 crop showing the record amount of 18,372,000 in bushels. Wheat and flour imports have been the chief items of the Greek import trade but are diminishing in quantity.

High and discriminatory tariffs, a "concentration" or monopoly control system, price maintenance, and exchange control along with special encouragements and aid to the grower are the methods used in Greece and which considerably affect the grain trade of that country. Two tariff schedules are in force, the minimum for countries having trade agreements with Greece and the

maximum for countries without commercial treaties. The minimum rates which apply to the United States and which include attached surtaxes amounting to three-fourths the tariff rate are 55 cents a bushel on wheat and $1.65 per 100 pounds on wheat flour at par exchange but only 24 and 72 cents respectively at current (November) exchange. These (par) rates have been in effect since 1930 prior to which the duty on wheat was 39 cents a bushel. The maximum rates were 69 cents a bushel on wheat and $1.70 on wheatflour until November 1931 when they were increased to 10 times these amounts. Canada, and Australia are subject to these maximum prohibitive rates as was also Argentina until August 1932 when wheat and wheat flour from there were granted minimum rate privileges.

In a special effort to render Greece less dependent on foreign wheat supplies the government has maintained a so-called "concentration" system or monopoly since July 1928. Though amended from time to time the system at present provides for the purchase and concentration of the domestic wheat crop in the hands of a Central Committee (government and quasi-official representatives) and for its sale at fixed prices on a compulsory quota basis, i.e. fixed quantities of domestic wheat must be purchased by the millers at fixed prices before the necessary supplementary supplies may be imported. The price fixed by the Committee has been considerably higher than that of imported wheat. The present mixing per cent is 25 per cent domestic wheat (1930-31 season 10 per cent domestic and 1931-32, 15 per cent) for all mills having a daily capacity of 551 bushels but the purchase of domestic wheat by importers is obligatory only during the period of concentration of Greek wheat, usually from October to April. After that time importers may import wheat subject only to the regular duty noted above and to a special fee fixed by the Committee which by law does not exceed 12 cents per 100 pounds for wheat or flour.

The scope of the Central Committee's activities also includes: (1) Maintaining the price of domestic wheat by the practical monopoly control of purchases and sales; (2) Granting of monetary prizes to progressive wheat growers and establishing and subsidizing model wheat producing villages; (3) Construction of warehouses; improved seed selection and distribution to farmers at reduced prices or credit loans; and (4) experimentation in individual districts for best crops, varieties and methods.

A monopoly of foreign exchanges transactions was given to the Bank of Greece on September 28, 1931 and the shortage of exchange at different times has resulted in a practical suspension of exchange permits except for wheat and a few other necessary foodstuffs. The gold standard was abandoned in April 1932 and compensation agreements have now been entered into with several countries to facilitate exchange transfer. The drachma had depreciated about 55 per cent from par by late November.

Austria

With the territorial division of Austria-Hungary after the World War the small segment constituting Austria, largely industrial, was made

quite dependent on wheat and flour imports for domestic requirements. A protectionist policy has been followed during most of the post-war period and especially the last few years, partly as a result of the high tariffs and other import restrictions of neighboring countries along with exchange and credit difficulties. The present government measures affecting the wheat trade and the domestic grain industry include tariffs, preferential treaties and clearing agreements, import licenses, controlled foreign exchange and grain sowing premiums.

An import duty of 61 cents a bushel on wheat and $2.34 per 100 pounds on wheat flour has been in effect since February 12, 1932, prior to which and effective July 28, 1931 the rates were 55 cents and $2.16 for wheat and flour respectively. For the previous 4 years the duties were 11 cents on wheat and 46 cents on wheat and rye flour, while during part of 1926-27 Austria had a system of sliding duties on grain in an effort to maintain a stable level of domestic prices. The marked tariff increase evidenced in July 1931 arose largely from new bargaining commercial treaties between Austria on the one hand and Czechoslovakia, Hungary and Yugoslavia which became provisionally effective at that time. Accordingly Austria admits imports of specified farm products particularly wheat, at reduced rates of duty contingent upon similar treatment for Austrian manufactures in these other countries. In the Yugoslav treaty a reduction in the duty of 17.6 cents a bushel for an annual contingent of about 1,850,000 bushels is allowed. The treaty with Hungary, however, has been terminated.

The import license system was adopted in 1923 in an effort to control imports during the period of rapidly depreciating exchange. The licensing regime largely ceased after 1925 until in July 1931 when a law was enacted authorizing the government to restrict the imports from countries with which Austria has no commercial treaties by means of special import licenses. Import permits are not refused, however, for wheat and flour from countries importing Austrian products of an equal value. From September 1929 to April 30, 1931 an import certificate system for wheat and rye was also in operation. For exports made from some parts of the country import certificates for use in the payment of duty on similar goods imported into Austria was allowed. Though transportation charges were thus minimized and the use of better grade foreign milling wheat facilitated, Austria did not derive much benefit from the system. By discontinuing it Austria was also given free action in dealing with similar measures in other countries. Though an import quota system has been in effect since April 30, 1932 for many agricultural commodities, wheat or flour is still exempt.

The rigid control of foreign exchange since October 1931 is one of the most important of the Austrian trade barriers ; also an effective domestic agricultural protector as allocations for puchases of even the so-called necessities of life including cereals have practically ceased in many cases, particularly if exchange clearing bank agreements have not been established with the particular

countries. Special clearing agreements were arranged with the neighboring countries during 1931-32 and some private clearing agreements are permitted with the consent of the Austrian National Bank, but most of these agreements have now been terminated as they proved of little help in the currency situation and engangered general trade relations. The sales turnover tax was recently doubled as a revenue measure for the state budget and has raised prices somewhat. Rye flour and potatoes were the only cereal products or crops exempt from the tax.

On the side of grower aid special agricultural credit and relief measures have been available since October 1930. A sum of 13 1/2 million dollars was then made available of which nearly 11 million was to be distributed as sowing premiums for grain cultivation; another million for assistance to domestic mills and 1 1/2 million dollars for special relief to Alpine peasants. The sowing premiums were based on the area of the crop cultivated in the 1929-30 season.

Wheat acreage and production in Austria show a moderate increase during the past decade with the area going from an average of 456,000 acres in 1921-25 to 508,000 in 1926-29 and to 511,000 in 1930-32 while production has averaged 8,400,000 bushels; 11,559,000 and 11,381,000 for the three periods respectively. The 1932 acreage at 519,000 acres and production at 12,750,000 bushels show important increases compared with last year. Domestic wheat prices have been successful maintained considerably above the world level of prices the past year as a result of the tariff and other restrictive measures.

Irish Free State

No trade barriers for wheat or wheat flour existed in the Irish Free State until the beginning of the 1932-33 crop year, except that caused by depreciated exchange after the abandonment of the gold standard in September 1931. Since July 7, 1932, however, special licenses or import duties for imports of wheat flour have been required. Shipments for which no license is secured are subject to the payment of an import duty of 5 shillings per 280 pounds (43 cents at par and about 30 cents per 100 pounds at current exchange). The resolution further provided that after September 1, 1932 licenses were to be issued on a quota basis beginning with a reduction of about one-third and increasing until imports cease. This appears to be part of a scheme to regulate milling in that country. Wheat imports as grain are still duty free.

Government legislation on behalf of the domestic wheat grower has been given considerable attention in recent weeks. A wheat growing scheme has been advanced calling for a marked expansion in acreage (250,000 acres proposed for next year compared with 30,000 in 1932) and the granting of a subsidy which would guarantee a high minimum price on wheat and wheat products over the next three years. A wheat board would have control of the purchase of foreign wheat and fixing the price to be paid by millers which would approach

an import monopoly. The proposed Cereals Bills also specifies that wheat can be milled only on license and each miller will be given a quota for milling. The government is also empowered to take over an unused mill.

Wheat acreage and production in the Irish Free State as also in the United Kingdom has shown a downward trend for many years and in fact has almost been a negligible quantity in the former. In 1921-25 acreage amounted to 34,000 and production to 1,131,000 bushels; in 1926-29 the acreage averaged 31,000 and for 1930-32 only about 25,000 acres with but 21,000 acres last year. The proposed 1933 acreage of 250,000 acres if realized and at average yields of the smaller acreages (both doubtful conditions) would make an Irish Free State production of wheat a little over half the usual domestic requirements.

Other European countries

Of the small remaining wheat importing countries in Europea such as Portugal, Switzerland, and the Baltic States of Latvia, Esthonia, Lithuania and Finland, imports are so negligible particularly of United States wheat that o ly very brief mention will be given here of the numerous government measures affecting trade and the promoting of domestic production that have been adopted.

Portugal has a complete monopoly of the wheat and flour import trade and prohibits imports except under special permits. There is no fixed rate of duty for wheat or flour but whenever imports are allowed a rate is specified, taking into consideration the depreciated exchange at that time. In May-July 1931 a certain quota was allowed at the rate of about 97 cents a bushel. With the bumper crop harvested this year no imports are contemplated. Mixing regulations requiring 20 per cent rye and corn flour with wheat flour have been adopted for the 1932-33 season against 16 per cent last year and varying percentages earlier. Wheat growers have received high fixed minimum prices as well as direct subsidies for cultivation of new wheat areas, also production prizes for improved methods and yields and government credit advances for the expenses incurred in growing and harvesting the 1932 crop. Agricultural credit is also being made available for more orderly marketing after harvest and the construction of storage houses is now being subsidized.

In Switzerland the wheat industry is definitely subsidized by the government and import trade in wheat and flour is subjected to duties and to import quotas and licenses or surtaxes. The regular tariff rate on wheat has been 3.2 cents a bushel and on flour 39 cents per 100 pounds. These rates have been in effect since 1921 and apply only to imports by registered dealers under customs control; other imports are subject to a surtax of $1.05 per bushel. The import quota and license system was passed in December 1931 to be effective for the year 1932 and fixes import quotas for various foreign countries. From 1915 to 1929 a government Grain Monopoly controlled the purchase and sale of domestic grain. Though repealed in the latter year the new

state grain control which was immediately set up has continued the wheat subsidy and virtual monopoly, and maintains minimum prices (about $2 a bushel), reduces transportation charges when expedient, grants special bonuses for grain consumed by growers or grown in certain areas and for high quality, and maintains grain reserves, usually sufficient for about 3 months domestic requirements.

The Baltic countries (Latvia, Lithuania, Esthonia and Finland) bordering U.S.S.R. on its northwest frontier are generally all on a small import basis with regard to wheat but these needs to a large extent are filled by Russian exports. Rye is also a very important bread grain in these northern countries. Tariff duties are in force in all four states; government monopolies of both the import and domestic grain trade exist in Latvia and Esthonia; milling and mixing regulations for rye and rye flour (60 per cent domestic) are used in Finland and for both wheat and rye (67 and 86 per cent domestic, respectively) in Latvia, - 100 per cent domestic wheat was required in Esthonia from March 1931 to September 1932; an export certificate system in Esthonia; and domestic wheat and rye subsidies which guarantee fixed minimum prices are granted in Latvia, Esthonia and Lithuania and to a certain extent in Finland - (the milling quota on rye in Finland ensures the sale of all domestic rye at import prices.) The gold standard was abandoned in Finland in October 1931 and foreign exchange transactions are rigidly controlled by the national banks in Latvia and Esthonia. There are no exchange restrictions in Lithuania. A special series of commercial treaties are in force between these four countries providing for reciprocal duty concessions, thus restoring in a measure the freedom of trade that existed between them when they/except Finland were still part of the old Russian Empire. Special credit aid to agriculture has been available in all the Baltic countries and a practical moratoria on farm mortgages is operative in Finland.

The present duties (November) on bread grains and flour in these countries are: Latvia - wheat 36.8 cents per bushel; (free prior to 1930); wheat flour, bolted, $2.14 per 100 pounds; rye, duty free and rye flour, coarsely ground, 44 cents and semi or fully bolted $1.06. Special concessions are reported given Russian wheat and rye - all imports have been under government monopoly which was effective in June 1932; Lithuania - wheat 83 cents per bushel; rye 26 cents; wheat flour $4.09 per 100 pounds; Esthonia - wheat 80 cents per bushel, minimum rate applying to U.S., Canada, Russia and other nations having most-favored treatment - the maximum rate is $1.60 per bushel and applies to Australia and Argentine wheat (duty 1930 was 52.5 cents); rye, duty free; wheat flour, bolted, minimum rate $3.53; unbolted $2.20 per 100 pounds; rye flour 60 cents per 100 pounds - maximum duties are double the minimum rates; since April 1931 for all exports of wheat flour an equivalent amount of wheat used in the flour may be imported duty free. Finland- wheat 85.7 cents per bushel at par and 50 cents at current November exchange (1931 - 68.6 cents and 1930 - 51.4 cents); wheat flour $1.70 to $2.80 per 100 pounds at par and $1.25 to $2.35 at current exchange for unbolted and bolted flour respectively. Rye and rye flour duties are slightly less than wheat and wheat flour.

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The upward trend of wheat acreage and production in these countries since the war is the most marked of any region observed. Finland shows the smallest increases, and these run from 50 per cent on acreage to around 75 per cent on production when 1930-1932 is compared with 1921-1925. For all four countries together the average acreage in 1921-25 was 386,000 and production 6,400,000 bushels; in 1926-29 these averages had increased to 624,000 acres and 10,600,000 bushels and in 1930-32 to 837,000 acres and 15,800,000 bushels. Though the government grain legislation and encouragement has doubtless stimulated wheat growing, there also appears to have been a significant shift from rye to wheat consumption and in turn production despite similar legislation for both. In addition, it may be noted that as part of the Russian Empire, Latvia, Esthonia and Lithuania which have recorded the most increases, they were not so concerned about a national economy and foreign trade balances.

Other deficit areas

The remaining 20 per cent of the world wheat and flour trade outside of Europe is somewhat scattered throughout the rest of the world though the Orient with China and Japan together forms the most important region. In Africa, Egypt and to a lesser extent South Africa have been rather important importers while in South America, Brazil and Peru are the principal deficit areas. Cuba has also been an important outlet for United States flour.

China

China has taken some important quantities of wheat and flour in recent years and particularly the past two or three seasons. There are no duties imposed on foreign wheat but a surtax of about 2 cents per bag, (10 cents Mex. dollar) of 49 pounds of wheat flour must be paid on imports. Local mills also pay this tax on wheat flour. The drastic depreciation of Chinese currency in recent years is one of the most important barriers to foreign trade - the Shanghai tael on November 1, 1932 was less than half its rate prior to 1930 when it was most stable. The boycott agitation in 1931-32 against Japanese goods may have restricted somewhat the imports of Japanese flour in North China. No definite direct aid measures to domestic producers have been enacted by the Chinese government.

The government in the fall of 1931 arranged for a credit purchase of some 15,000,000 bushels of wheat, partly flour, for relief use and payments for some government construction work. The domestic, especially Shanghai, wheat trade and prices, however, were affected somewhat adversely by the transaction, it appears, as part of the government supplies were reported sold on the domestic market for cash. Trading activity in the Chinese wheat market has also been rather restricted during part of 1932 fall season, awaiting the outcome of another proposed credit sale of United States wheat

to the Chinese government. Confirmation of the sale has not been definitely announced up to December 5 as this report is being released.

Japan

A policy of government protection and aid to domestic producers is almost traditional in Japan. Trade barriers on wheat and flour include high tariffs and depreciated exchange and very remotely government control of the rice trade - the principal food product. The construction of warehouses for agricultural products has also been subsidized to a considerable extent by the Japanese government by the Agricultural Warehouse Law of 1917. Some credit facilities are granted by the warehouses.

The present (December 1) duty on wheat is 26 cents per bushel and on wheat flour 75 cents per 100 pounds while at par these rates would be 45 cents and $1.62, respectively. A further upward revision in the tariff is being contemplated to offset the continued marked decline of the yen. The present rates were revised upward last June, prior to which they had been 33.6 cents and $1.08 for wheat and flour, respectively, at par exchange. The duty is remitted on wheat which is used for the milling of export flour. Japan abandoned the gold standard in December 1931 and the yen in late November 1932 had depreciated about 60 per cent below par. Though definite milling regulations are not required, foreign and domestic wheat are usually mixed in the ratio of 6 to 4 while foreign wheat is used almost exclusively for flour in the export trade. Many general agricultural relief measures have also been suggested in recent weeks and include debt adjustment, especially interest and tax reductions and in some cases moratoria; additional price supporting measures for rice and grains; fertilizer aid; territorial subsidies (Manchuria); official crop insurance and encouragement of cooperatives and other agricultural associations.

The acreage of wheat in Japan and also its territory of Chosen shows no significant trend or change during the past decade, but there has been a slight increase in production, largely as a result of an unusually good crop in Japan this year. The 1932 crop in Japan is placed at 32,500,000 bushels and in Chosen at 8,300,000 or a combined production of 40,800,000 bushels compared with the 1930-1932 average of 39,600,000, a 1926-1929 average of 38,800,000 and a 1921-1925 average of 37,100,000 bushels. Consideration has been given for some time by the government to encouraging a large increase in wheat production at the expense of mulberry trees, on account of very low silk prices though some improvement in the latter has now resulted and may defer any action.

Egypt

High tariffs, depreciated exchange and definite government encouragement for an increased domestic wheat acreage feature the Egyptian wheat trade situation. In February 1931 a system of sliding scale duties was adopted in order to maintain domestic wheat and flour prices on the Egyp-

tian market. According to this plan the import duties on wheat and wheat flour are said to be regulated in relation to the prices quoted in British pounds sterling on the London Exchange for Australian wheat and flour delivered c.i.f. Egyptian ports. As the quoted London price of Australian wheat and flour rises, the Egyptian duty decreases and vice versa. At present low prices the import duties are accordingly quite high particularly since the further upward revision in rates on September 13, 1932, the third change since March this year. The wheat duty at current (November) exchange had a range from 66 cents to $1.08 per bushel and the flour duty from $1.24 to $1.93 per 100 pounds. These compare with the ranges of 25 to 67 cents for wheat and 82 cents to $1.51 for flour which were in effect up to July.

The recent drastic changes in rates are an effort to save the domestic market and producers which after two years of strong protection and a government "grow less cotton and more cereals" campaign has been confronted with a surplus of low gluten content wheat and very low prices. Special loans to growers were granted to help keep the grain off the local market for a time but a practical prohibition of imports by very high duties has now been adopted. The sharp increase in July on wheat and flour applied to that containing less than 12 per cent gluten which directly competed with domestic types. Australian wheat and flour, it was soon found, appeared to be discriminated against as a result of it falling in the sub-twelve per cent class while United States wheat flour was imported at a lower rate. The September tariff revision upward made the duties the same for all wheat flour but no imports during the coming year are believed necessary as a result of the heavy stocks now on hand and the large domestic supplies. The Egyptian pound is pegged to the English pould sterling and was depreciated about 35 per cent in late November.

The most important government measures affecting wheat producers have been those restricting cotton acreage since 1931 for the purpose of increasing domestic production and reducing import needs. Some reduction in cotton was made in 1931, a further important restriction was required for the 1932 crop recently harvested, (not more than 30 per cent of the crop area could be planted to sakellaridis cotton while other varieties were limited to 25 per cent), but for the coming year restrictions have been practically removed (40 per cent for sakellaridis or 50 per cent for other), with a probable resultant shift back to cotton. The government has also sponsored the cultivation of wheat on new and other than cotton land to some extent.

Acreage and production have increased considerably during post war years and particularly the past two years as a result of "cotton to wheat" legislation. The 1932 crop at 52,580,000 bushels is about equal to domestic requirements and compares with a 1930-1932 average of 46,135,000 bushels, a 1926-1929 average of 41,000,000 and a 1921-1925 average of 36,800,000 bushels.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

Brazil

A tariff; an embargo on flour imports; local milling quotas and depreciated and controlled exchange are the principal factors affecting wheat and flour trade of this most important South American wheat importer. The duty at average November exchange is a little over 10 cents per bushel on wheat and about 44 cents per 100 pounds on wheat flour, both rates including a 2 per cent port tax. At par exchange these rates would be 18 and 77 cents for wheat and flour respectively. Countries having concluded most-favored-nation treaties with Brazil, which includes the United States and most countries, receive a 35 per cent reduction in the duty while those not having such treaties, as Russia, receive only a 20 per cent reduction.

Since August 1931 and continuing in effect for 18 months or until February 1933 the government has had an embargo on imports of wheat flour. Just prior to the embargo, twenty-five million bushels of United States wheat had been acquired by a coffee-wheat barter. In the State of Sao Paulo a flour extraction ratio of 80 per cent and the addition of 5 per cent corn meal or manioc flour to wheat flour for bread making was decreed, presumably as a war measure, on July 31, 1932. This state was the scene of the recent military disturbance in Brazil. The measure was repealed in October.

Not only has Brazilian exchange been depreciated since 1930 (about 37 per cent below par at the end of November) but all foreign exchange operations have been subject to monopoly control by the Bank of Brazil since September 1931 and in many cases short moratoria or extensions of payments for 2 to 4 months have occurred pending adequate deposits of milreis, the domestic currency. Exchange in recent months however has been quite stable and somewhat improved over that of a year ago. The depreciated exchange together with the tariff and more recently the embargo on flour, appears to have especially aided the domestic milling industry in Brazil and has resulted in its expansion to some extent.

Wheat production in Brazil, mostly in the southern states, has averaged about 5,100,000 bushels in recent years. As statistics for production in 1931 and 1932 are not available and nearly all Brazilian wheat legislation has been enacted during this period it is not possible to determine the effect that some measures have had upon domestic wheat production and in turn on imports.

Peru

Wheat and flour have been among the principal import items for Peru despite some local production in most of the provinces of the country. Considerable effort has been exercised the past two years to increase domestic production. This has involved the restrictive measures of tariffs and milling quotas, and the production stimulus of improved domestic market condi-

50.8 cents, respectively). These rates became effective January 1, 1928. A special treaty with Chile grants a reduction of one-half the duty on several products including cereals imported into Peru from that country.

Under the milling regulations established in November 1930 and still in effect it is necessary to use at least 30 per cent domestic wheat in milling. The law of that date further provides for the allotment of this wheat to the mills and the control of the price of the same, which is not to be less than that paid for imported wheat. The purpose of the law was said to be to encourage the cultivation of wheat along the coastal plains of Peru by assuring a market for the product.

Transportation rates on wheat have also been reported reduced by as much as half across parts of Peru. Rates have been very high as a result of numerous mountain crossings and this together with limited transportation facilities has been an important factor in preventing the distribution of much domestic wheat and in turn, a handicap to surplus production in many sections. Local wheat has also been weak and irregular in milling quality. Domestic production averaged about 3,000,000 bushels annually during the period 1921-1927 with no significant trend apparent but in 1928, also the year the present duty became effective, a crop of 4,000,000 bushels was produced. Official statistics for the past three years are not available to indicate the effects, if any, of the encouragement of domestic production.

Cuba

A tariff, a sales and consumption tax and a mixing regulation together with government encouragement of increased domestic production of cereals, particularly yucca, comprise Cuba's trade barriers and activities with respect to wheat and flour. The duty has continued for several years at 8.7 cents per bushel on wheat and 42 cents per 100 pounds on flour. In addition since January 1932 a 10 per cent sales tax was adopted and since August 1 a consumption tax of 1/2 cent a pound on wheat flour though United States exports pay only part of this tax.

A milling regulation has been effective since July 1, 1932 which requires the mixing of at least 10 per cent yucca flour with wheat flour. Basic legislation relating to this mixing regulation was passed as early as December 1930 in order to promote the production of yucca. The 1932 supply of yucca flour including starch is said to be only 5 per cent of the wheat flour supply or half the specified amount and of this 5 per cent, not more than 2 per cent is reported of the best quality yucca flour. The consumption of bread has been reported somewhat reduced since the law went into effect, especially in country districts where large amounts of rice, corn meal and potatoes are being substituted.

A reciprocity treaty between the United States and Cuba has also been in force since 1902 and reductions of about 20 per cent from the main duties and import taxes are granted in the trade between the countries. Cuba has been a very good market for United States milled flour, especially

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

Minor and irregular importing countries

Nearly all countries have some trade in wheat or flour but the above countries listed and discussed to some extent comprise practically all of the world import trade outside of that which sometimes occurs in the nominal exporting countries reviewed below under surplus areas. Further, none of the other smaller importers offer examples of any new special types of trade barriers or domestic aid. Two countries might be mentioned here, however, as former importers but which are now practically on a domestic basis as a result of special government aids, the Union of South Africa and Turkey.

The Union of South Africa whose domestic requirements are around twelve to thirteen million bushels had imports of wheat and flour prior to 1930 that comprised a fourth to a third of their home needs. Increased tariffs along with an import monopoly embracing licenses and preferential treatment for Canadian wheat, also mixing regulations, and particularly the high guaranteed prices to domestic producers (about $1.64 per bushel) which has caused a considerable shift to wheat and increased production are the main factors in the changing situation. The duty on wheat rose from 31.6 cents per bushel in 1930 to 39 cents in 1931 and is now the difference between the landed cost and the fixed domestic price. During the past year the foreign wheat percentage has been cut from 20 to 10 per cent (February 1932) then to 5 per cent (July) then 2 1/2 per cent (August) and in September to 1 per cent. Import licenses or permits from the government must be procured before any imports are made. This is the only British territory without depreciated exchange.

In Turkey the present high tariff law came into force in October 1929 and together with a temporary embargo on flour imports along with special credit aid to wheat producers has resulted in a surplus production with some exports in 1931-32. The duty is 82 cents per bushel on wheat and $2.02 per 100 pounds on wheat flour on the basis of the depreciated Turkish pound. Wheat is grown in many parts of Turkey and with a very good crop in 1931 prices declined to very low levels, endangering numerous agricultural banks which had made loans to farmers. Extensive credits in turn have been allowed by the government largely through the agricultural bank and its branches who by the Wheat Law of July, 1932 may purchase, hold and sell the grain at prices fixed by the government if and when such action is deemed necessary and thus provide a cash market for the farmer. The government will assume any losses up to one million Turkish pounds (about $500,000) which may follow as a result of liquidating the wheat which will be bought. Profits which may be realized will be used for the construction of elevators and warehouses. A considerably reduced acreage, however, has been unofficially reported for 1932 indicating a reaction to last year's low prices and a tendency to return at least to a domestic basis. The Ottoman Bank places the 1932 Turkish wheat crop at 73,000,000 bushels compared with 110,000,000 estimated for last year. Foreign exchange is depreciated and is very rigidly controlled, making any import trade quite difficult.

II WHEAT: Export and production aids, 1932

Country	Domestic needs incl. seed a/	Production 1926-30	Export bounty	Export dumping schemes	Bargaining tariffs	Foreign exchange	Lowered costs	Other
	1,000 bushels	1,000 bushels	Cents per bushel					
Australia	59,479	155,824			Empire Preference	Depreciated about 50%	Fertilizer aid	Financing wheat pools; Prod. bounty 1931; ltd. bonus 1932
Canada	139,531	435,744			Empire Preference	Depreciated about 15%	Reduced freight charges	Guarantee bank loans to wheat pools. Prod. bonus 1931-32
India	333,635	332,416			Empire preference	Depreciated about 35%	Reduced fr. charges	Reclamation aid
Bulgaria	41,975	43,666		Dual price - discontinued for 1932-33	Clearing agreements	Controlled	Reduced freight to Italy; tax concessions	Stabilization purchases at low levels; seed loans
Hungary	58,722	82,075	17-fall 1931 12-spr. 1932 discontinued	Dual price; monopoly;	Clearing agreements; treaties	Controlled	Remitted taxes	Seed loans; temp. embargo on exports
Rumania	103,147	110,737	16 (1931-32) discontinued for 1932-33		Pref. treaty with France compensation agree. Austria	Controlled	Temp. debts moratoria	Seed loans; bread consumption tax; increased duties;
Yugoslavia	71,829	81,323		Dual price disc. 1932; monopoly	Pref. treaty with France Aus. & Czech	Controlled Depreciated about 20%	Reduced fr. charges tax concessions	Seed loans; increased duties;
Argentina	38,203	251,257				Controlled and depre. about 75% b/		Harv. & mkt. loans; elevator const; mkt. supervision
Russia	803,194	837,690		Export monopoly	Pref. treaties with Baltic States	Controlled	Almost complete monopoly of trade, business, agriculture, transportation; tax abatements	
Poland	57,134	64,197	18 on wheat 46-51¢ on flour per 100 lbs.		Negotiating treaties		Tax relief	Export cartels; loans; export taxes; standardization

a/ Balance retained within country, average 1926-27 to 1930-31. b/ Paper peso.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

Legislation in exporting countries

Government legislation affecting wheat trade movement and production in surplus countries has been generally of a different type and character from that adopted in importing countries. The difference is particularly true from the point of emphasis - in importing countries legislation has been especially aimed at reducing imports by direct restrictive measures and indirectly assisting domestic producers. In exporting countries, on the other hand, where aid has been given, the primary consideration has been the economic welfare of the producer or the improvement of his competitive position as in the reduction of costs, the stabilization or the increasing of a general market price, the extension of credit and the development of marketing facilities including preferential commercial treaties. In a few cases export stimuli have been provided to help make more active trade balances.

Import duties are imposed by nearly all the exporting countries except Russia, but are largely ineffective except in contiguous export countries and even then the duty effects usually appear limited. Such legislation particularly that affecting prices in surplus areas, except Russia, has also been adopted for the most part as emergency acts during the past two or three years and is not expected to continue after and when more normal conditions again prevail. While considerable emergency legislation in importing countries has also been enacted during this depression period a surprising amount of it as noted in the first part of the report had been in force for some time as part of "economic nationalism" or "national self sufficiency" policies growing out of the world war maladjustments.

The main wheat surplus areas are rather limited in number though the area of the countries represented is considerable. For some unity in treatment the British Empire countries of Australia, Canada and India are reviewed in one group, then the Danube Basin countries of Rumania, Yugoslavia, Hungary and Bulgaria; and then the individual countries of Argentina, Russia and Poland.

British Empire countries

The Empire countries of Australia and Canada have accounted for about half or more of the world wheat trade in recent years. These countries now have preferential treatment in the great United Kingdom market, the amount of the preference being 6 cents at par exchange and about 4 cents a bushel at current rates of exchange. This Empire agreement was adopted at the recent Ottawa Conference (summer 1932) and has been ratified by the English Parliament as effective November 16, 1932. Canadian wheat shipped from United States ports, however, will not receive this "preference" of 4 cents according to present interpretations unless accompanied by a direct transit certificate. A substantial part of the Canadian crop has in the past moved across the United States border to Buffalo and to New York where it has usually been stored a while awaiting definite sale abroad or milled in bond before being exported. Increased marketing from eastern and western Canadian wheat ports is expected by some observers to result under these preferential conditions if maintained.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

The water freight rate on wheat from the head of the Lakes to Montreal was reduced from 7 to 6-1/2 cents a bushel effective October 24, for an indefinite period as a result of government influence. Rates last summer, however were as low as 3-1/2 to 4-1/2 cents but advanced steadily after July when a Canadian freight organization was formed. Through water rates from the head of the Lakes to New York, also combined water and rail rates have been reduced the past year. The government controlled Canadian National railway has also reduced rates somewhat on wheat moving to Vancouver for certain periods during recent years. In India during the 1931-32 marketing year an effort was made to stimulate export movement by a reduction of nearly 40 per cent in the railway rates to Karachi, the principal wheat port; a reduction in wharf charges there and a suspension of the terminal tax. No special government transportation measures have been reported in Australia for wheat.

In addition to the aid effected by reduced transporation costs or handling charges and the preferential treatment secured in the United Kingdom, the Canadian and Australian governments during the past season each paid a production bounty or bonus to wheat producers. In Canada the bonus amounted to 5 cents a bushel and was paid for all wheat grown in the Prairie Provinces (Alberta, Saskatchewan and Manitoba) and duly marketed from August 1931 to July 31, 1932. Though demands for a continuance of this bonus during the present marketing year are still being made by farmers, an announcement by the Canadian Premier as late as October 25 indicated no government bonus would be paid for the 1932 crop. Stabilization purchases, however, have been made - see comments below on pools. In Australia the bounty to growers amounted to 4-1/2 pence (9 cents at par and about 5 cents at current rates of exchange) on all wheat produced and marketed during the 1931-32 season. A sum of £3,000,000 (about $14,600,000 at par and $8,000,000 at average 1932 exchange rates) was appropriated in 1931 by the Australian parliament for this purpose but up to September 15, 1932 nearly £3,400,000 had been paid out.

For the coming marketing season the Australian government is reported to have recently passed a Farmers' Assistance Law providing for an appropriation of £2,250,000 (about $6,000,000 at current and $10,000,000 at par exchange) of which £2,000,000 is to be allotted to the states on the basis of their production and is to be distributed only to the most needy farmers and not in the form of a production bounty as last year. The small balance of the appropriation is to be used as a bounty payment on phosphate fertilizer purchased for the purpose of crop production other than wheat. Other proposals which have recently received consideration in Australia include a tax on flour for local consumption sufficient to pay a bounty on wheat as high as in 1931-32 and to peg the exchange at a considerably higher rate than has prevailed during the past year which was depreciated 20 per cent below the depreciated English pound. A higher exchange has been favored in many quarters.

The depreciated exchange in these Empire countries, particularly Australia and Canada has greatly increased competition for United States wheat exports the past two years. The Australian pound which is the same as the

English pound sterling at par began to depreciate slightly the last of 1929, weakened slightly more in 1930 and declined drastically in January 1931 when it was quoted 23 per cent below the English pound. It held steady at this discount below sterling until December 1931 when it was raised to 20 per cent which has been the prevailing rate since that time. After September 21, 1931 when England abandoned the gold standard Australian money in terms of United States money has been depreciated 40-50 per cent. Canadian exchange though not pegged to sterling held about 10 per cent below par from October 1931 to early November 1932 but by December 1 had declined to around 15 per cent below par.

For a country with depreciated exchange it is quite desirable and often practically necessary to export as much as possible in order to maintain its credit structure and avoid further depreciation. This export stimulus, especially when augmented by a bonus to producers for grain marketed and somewhat higher domestic quotations due to the depreciated exchange has made for large visible supplies. With higher domestic quotations (in depreciated currency) it is easily possible to maintain an export parity and undersell other wheat in foreign markets, making competition almost impossible except for some desired special types or qualities of wheat or in cases of special commercial treaties. Australia formerly shipped little wheat to the Orient but has almost monopolized the regular market trade there the past two seasons. For the current season thus far, Australia and to a lesser extent, Canada, account for practically all of the Chinese and Japanese wheat and flour purchases and will no doubt continue to do so as far as regular market sales are concerned. There is little evidence as yet that the theoretical readjustments with higher costs has taken place in these countries. India also has a depreciated currency which fluctuates with the English pound but with the low level of wheat prices domestic consumption appears to have increased, partly as a result of a shift from the former cheap and less desirable native grains. Imports of wheat into India the past two seasons, though small, have exceeded exports.

A further form of aid to producers in both Canada and Australia has been the <u>financing</u> of <u>marketing pools</u>. The Commonwealth Bank of Australia which is essentially a government institution helps finance the Victorian and South Australian Wheat Pools while the finances of the Western Australia Wheat Pool are said to be provided by the Cooperative Wholesale Society of Great Britain. The government has also provided some terminal elevators for wheat storage and in some states is assisting the bagged to bulk grain movement. In the Canadian Prairie Provinces where the voluntary pool system has been operating for many years (since 1923) independent of the provincial or dominion governments, very critical and serious conditions developed with the fall of prices in 1929 and the government came to the rescue. The provincial governments in 1929 first guaranteed the bank loans made to the pools in Alberta, Saskatchewan and Manitoba who had borrowed from private banks and advanced more to growers early in the season than the market price later proved to be and in turn have received as security mortgages on the pools

system to elevators and other assets. The pools are to make annual payments to the provincial governments over a 20-year period.

The Dominion government has also participated rather directly in the pool activities the past two seasons by agreeing to assume financial responsibility for the three pools. In December 1930 it thus acquired control of the pool carryover stocks and appointed a representative to liquidate them. Price stabilization efforts by the promotion of hedging operations have been carried on to some extent by the government through the pool central sales organization, particularly this fall season. A substantial share of the farm marketings are made during the summer and fall months and it was believed the benefit of a somewhat higher and more stable market price for producers would be as great or greater than a production bonus and would not involve as large a financial outlay.

The need for such action according to recent official statements is to provide the necessary hedging operation for the orderly marketing of the crop. Under normal conditions speculators and investors have bought the grain futures sold by buying agencies as a hedge against farm purchases. The absence of speculators and the limited operations of investors (milling companies), it is pointed out, leaves the selling agency of the Pool supported by the government as the only organization left to make hedging possible and prevent unusual price liquidation. The Dominion government is guaranteeing loans made by banks to the Pool selling organization to carry on the hedging operations on the Winnipeg Grain Exchange. Such operations appeared to be temporarily suspended at least in late October at the then prevailing prices, and declines resulted.

During the 1929-30 crop year, Australia tried a price fixing scheme for the benefit of wheat producers which deserves brief mention though it appears to have had no important direct effect upon the Australian or world wheat situation. The drastic 1929 decline in prices started just about the beginning of the Australian market season and the government announced a loan for establishing a minimum price of 73 cents a bushel of which about 35 cents was to be advanced immediately by the Commonwealth banks to growers. With the tightening of credit conditions and the further fall of prices the loan proved too small and growers, especially those marketing later in the season received little if any more than the market price. Among other forms of government assistance in these countries may be included the vast irrigation projects constructed in India and to a limited extent in Australia. A substantial part of the wheat area of India in the Punjab and United Provinces and now Sind as a result of the completion of the Lloyd Barage is irrigated by government projects. In Australia, the government in the past, notably 1930-31, has successfully used propoganda as a means of increasing wheat acreage.

Wheat production in these countries during the past decade shows a market upward trend for Australia and some increase for Canada, and India. The increase for India, however, has not been reflected in exports.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

Australian wheat production has risen from an average of 129,000,000 bushels during 1921-1925 to 141,000,000 in 1926-1929 and 204,000,000 in 1920-1932 while in Canada the average production for these 3 respective recent periods is 366,000,000; 439,000,000 and 385,000,000 bushels. The trend in wheat production during this period in these countries is not the expression of direct government aid legislation except to a very limited extent.

Danube Basin Countries

The four Danube Basin wheat exporting countries of Rumania, Yugoslavia, Hungary and Bulgaria provide the most numerous and direct forms of government aid to producers of any wheat export area. With many similar production factors as a result of close proximity and climate; readjustment of national boundaries and reorganization of land holdings after the war and the development of an agricultural economy these countries may almost be considered a unit in reviewing many forms of legislation and particularly as a surplus area prior to the recent government intervention of the wheat trade. Direct government intervention to raise prices received by producers has been applied during most of the past two crop years 1930-31 and 1931-32 in all of these countries except Rumania whose efforts along this line were confined to the last crop. The government aid measures adopted have for the most part consisted of export subsidies; fixed domestic prices above an export parity; tax refunds or concessions; special commercial treaties affording trade preference with neighboring European countries; trade monopolies; seed loans; and reduced transportation charges. In general the finances for paying the export subsidies or high fixed prices are derived from consumption or milling taxes which enhances the consumer price or by government appropriation.

Rumania has ranked first in wheat production in this group, with Yugoslavia and Hungary next in importance and then Bulgaria, though with reduced crops this year the crop outturn in the latter country compares favorably with the others. The relative amount of grain involved, the close proximity to markets along with competition with each other and particularly the financial condition of the country appear to have been factors influencing the type and extent of application of measures adopted and the subsequent changes. Government intervention in the wheat trade in the case of Rumania has been confined to the payment of an export previum and to negotiating special trade treaties, while in addition to the use of these forms to some extent in the other countries, dual price schedules and monopolies have been tried.

The export premium form was used in both Rumania and Hungary last season but is no longer operative in either country. In Rumania it was paid from August 1, 1931 to April 22, 1932 at which time it was discontinued on account of financial difficulties. It amounted to 16 cents a bushel on wheat and an equivalent of 20 cents a bushel on wheat flour in terms of wheat. A stamp tax on bread amounting to .3 cents a loaf on white bread and .14 cents a loaf on dark break was imposed when the measure went into effect in order to finance the payment of export premiums, but did not provide sufficient revenue for the heavy exports. The tax is still being levied

in order to recover some of the losses incurred as a result of exports exceeding the early season estimates. In Hungary an export premium amounting to about 17 cents in the fall and 12 cents a bushel in the spring was paid during 1931-32. For flour exported an equivalent of about 20 cents a bushel on wheat was paid. The export premium in Hungary was associated with an extensive grain ticket system used last year and the decreasing amount of the premium is indicative of financial difficulties, particularly since the premiums paid in the late fall and spring were mostly in the form of special government bonds.

Wheat trade organizations of a monopolistic character have been adopted in all the Danube countries except Rumania. In Hungary the government holds controlling interest in the Futura (Hungarian Cooperative Societies Trading Co., Ltd. and in the Cooperation Credit Union which finances grain operations. The former has had authority for many years to establish a monopoly over any branch of agriculture and since 1930 has come to be the dominating factor in the Hungarian grain market. In Yugoslavia the government through a specially created agency known as the Privileged Export Company had partial control over the wheat trade from May 1930 to June 1931 when complete control was assumed and held until the end of March 1932 since which time control has been limited to the export trade. In Bulgaria the Central Grain Purchasing Bureau established in February 1931 was granted full legal monopoly control of the wheat and rye trade in October 1931 including control of all commercial and custom mills. The monopoly is still functioning though not as actively as last year.

Dual price schedules have been used by each of these government monopolies with certain modifications in the various countries. In Hungary during the past two crop seasons 1930-31 and 1931-32 a grain ticket system enabled growers to receive higher returns for wheat and rye though the market price quotations remained at a world parity so the export movement was not interfered with. In fact during the marketing of the 1931 crop an export premium was paid as noted above. The grain tickets in 1930-31 amounted to 14 cents a bushel and in 1931-32 to 29 cents a bushel and had to be purchased by each buyer of grain until it was exported or milled. Farm tax payments received priority in the redemption of the tickets and after being satisfied the balance was paid in cash to the grower. During the 1932-33 season the tickets are used mostly for taxes and the valorizing fund is raised as formerly by the purchase of the ticket. No export bounty is paid, in fact an embargo on exports was temporarily established at the end of September on account of the short wheat crop this year and some important early season exports. The embargo which is accomplished by refusing to grant export permits was still nominally in effect at least in late November but is expected to be modified or removed before the usual spring export movement begins.

The monopoly in Bulgaria purchased wheat at fixed prices from the growers payable partly in cash and partly in taxation credits, then sold the wheat to mills at higher fixed prices and exported (dumped) the surplus abroad at world market prices. From March to August 1931 the fixed price to growers was about 78 cents per bushel (partly tax credits) and in August it was reduced to 66 cents for the 1931-32 crop. In October 1931 the fixed price

for sales to mills was put at 78 cents which spread failed to offset export losses, however, and the national treasury is reported to have been heavily drained to make up the Bureau's losses. Monopolistic activities have been discontinued during the 1932-33 crop season except for stabilization or supporting purchases by the Bureau when prices decline to low levels. Domestic prices have been on an export parity basis most of this current season.

The Privileged Export Company in Yugoslavia functioned similarly to the Bulgarian Monopoly from June 1931 to March 1932 when it had complete control of the internal and extenal grain trade. The prices paid to farmers were fixed at 74 to 87 cents a bushel according to type and quality (77 cents for all wheat yet unsold on July 1, 1932) and the prices charged by the monopoly to the mills after September 1931 were fixed at about \$1.08 to \$1.20 per bushel. Part of the price paid to farmers was in the form of cash, part in tax credits and part in government notes. The government monopoly of internal trade in cereals was abolished in March 1932 but the monopoly still retains the exclusive right to export and import bread cereals. A tax on commercial mills according to capacity is being levied (maximum 14-1/2 cents a bushel) to help finance exports and make up previous losses. During the 1930-31 crop purchases were also made from farmers at prices above world levels and the loss incurred in dumping exports was covered by a special government appropriation.

Commercial treaties with many wheat importing countries of Europe also provide a special trade benefit for the Danube Basin countries and a barrier for foreign wheat exporters. The treaties between France on the one hand and Rumania and Yugoslavia on the other have already been mentioned. (See France) Yugoslavia has also concluded special treaties with Austria and Czechoslovakia by which tariff reductions for certain wheat contingents are secured. In the case of the former this amounted to nearly one-third the import duty. The Austria-Hungarian treaty was renounced in June 1932 and the French-Hungarian treaty granting a 30 per cent rebate on wheat imports has not yet come into effect. A commercial treaty between Hungary and Italy is reported arranged (late November) whereby some wheat from the former will be taken by the latter. Bulgaria has completed no specific trade agreements though she has been an active attendant at the numerous regional trade conferences held the past two or three years to promote inter-European trade and will enjoy some tariff benefits via most-favored-nation treatment if some of the pending treaties are negotiated.

Probably as significant in many respects as the definite commercial treaties, are the clearing or compensation agreements that have been estab- the past year to facilitate the exchange of commodities between countries with controlled exchange. Except for Yugoslavia (about 20 per cent below par) none of the central or eastern European countries have definitely abandoned gold or have depreciated exchange but all have had rigid control of exchange during the second half of 1931 and all of 1932. Exchange has for the most part been restricted infavor of those countries carrying on trade with the Danube so as to minimize the movement of foreign exchange. As a result even though tariff preferences were not obtained, the Danube Basin agricultural countries have been

able to trade with the neighboring manufacturing countries of Central Europe when foreign wheat exporters with small if any return purchases from them have been almost shut out.

Transportation reductions or concessions likewise have been obtained for Danube Basin wheat. Significant reductions of both water and rail charges are operative in Yugoslavia, in Bulgaria and between that country and Italy. Germany has announced (November 1932) a reduction of about 7 cents a bushel on rail charges for export shipments from the Danube to the northern European countries. The reduction would apply for shipments from the Danube rail diversion point to Hamburg or Bremen but is not expected to be of significance this year and at best will be of little benefit except to Hungary. Seed loans, special credit extensions, particularly the moratoria on farm foreclosures in Rumania, (small landowners granted a moratorium of 18 months), efforts for improvement of the quality and production technique and the development of marketing organizations are also significant as factors of government aid in the Danube Basin which help enable the growers to maintain or improve their competitive position.

The influence of the recent aid in the form of seed loans in maintaining acreage appears quite significant. In Rumania fears were expressed at the beginning of November that the 1932 winter wheat sowings would be below last year's reduced acreage on account of the scarcity and high price of seed which resulted from the extensive rust damage there this season. The government made available a special credit fund for use in assisting farmers in rust damage regions to acquire suitable seed wheat and also agreed to exchange seed wheat for the poor wheat of the 1932 crop. Few calls for aid were received, farmers preferring to curtail acreage it appeared, so around November 1 the Ministry of Agriculture agreed to accept barley on the basis of a bushel of barley in exchange for a bushel of seed-wheat. With barley prices very low, and continued favorable sowing weather, this proved a considerable stimulus and sowings of wheat by late November were believed about equal to last year. The Rumanian law for the establishment of public warehouses for the storage of cereals enacted in June 1930 has been recently modified to include private warehouses belonging to cooperative or commercial enterprises as well as shipping companies in order to facilitate exports. Cereal producers and exporters may thus obtain advance payments on part of their stored goods which makes for more orderly marketing.

The 1932-33 crop season in the Danube Basin, however, is peculiarly different from other recent years in that production has been reduced about one-third by unfavorable weather and rust damage and in consequence the export surplus is markedly curtailed. Exports have been negligible and are expected to continue small. Import duties have even been increased: For Rumania from 25.8 cents on wheat and $1.09 per 100 pounds on flour to 65 cents for wheat and $1.63 for flour, while the duty on rye was raised from 7 cents to 61 cents per bushel; a temporary embargo on imports is in force in Hungary and the import trade of Bulgaria and Yugoslavia is under a government monopoly. Imports would normally be required to supplement the reduced wheat crops, es-

pecially in Rumania, were it not for large corn and good rye crops and a considerable possible substitution of these grains for wheat in domestic consumption. This substitution will permit of some wheat exports, most of which will doubtless be in fulfilling treaty agreements, except for Bulgaria.

Argentina

Until recently Argentina has had little government legislation pertaining to the wheat trade or the wheat producer. Even the prevailing legislation does not affect the wheat trade significantly and thus foreign competition but it is primarily concerned with lower costs of production and improving production and marketing technique. Such measures or endeavors have included (1) special loans to cereal farmers the past 3 seasons by the National Bank of the nation and its branches to provide money at moderate rates for harvesting and marketing the grain crops; (2) special export rail rates during the marketing season and some rent concessions; (3) supervising and sponsorship of the construction of a series of grain elevators (contract arranged in 1931 provided for 130 elevators but has since been rescinded and a new measure purposes to have the government build elevators); (4) supervising of grain exchanges and the price to be fixed method of sale; and (5) fostering of cooperative associations.

Proposed legislation to be considered at the next congress include measures which would greatly extend the government sphere of influence over the grain trade and producers by creating a National Grain Commission with considerable dictorial powers. Article 1 of the law states "The production, purchase, sale and exportation of grain in Argentina will be performed under the control and supervision of the National Grain Commission". Particular emphasis is placed on the establishing of official types of grain to be cultivated and exported.

Definite government supervision of the grain futures markets at Buenos Aires and Rosario and the price to be fixed method of sale was established by decrees effective in April 1932. They appear to have been designed primarily to ensure that free competition should reign in Argentine's most important grain markets. The export trade has been largely dominated by a few firms for many years and continued complaints over domestic market operations and sales methods have been evidenced. The concentrated control of export supplies together with the lack of elevator and storage facilities for holding grain has made Argentina a decided sellers market and so has exerted considerable influence and often distinct pressure on world grain markets. Thus, government legislation in Argentina which modifies the existing system would not appear to have any positive affect upon creating trade barriers or interference.

Argentine foreign exchange has been depreciated noticeably since the beginning of 1930 with the gold peso about 60 per cent of par and the paper peso 44 per cent of the gold or about 1/4 of par. This situation has also augmented the "seller" position of the Argentine wheat trade especially since

wheat from that country does not enjoy many of the minimum tariff rates in European markets provided in commercial treaties.

Russia

The U.S.S.R. (Union of Soviet Socialist Republic) presents an unparalleled example of intervention, planning and control by the government of domestic grain production and marketing. It has an exclusive monopoly of foreign trade and exchange operations and it controls the domestic channels of trade and credit through its ownership or operation of banks, railway communication systems and many business establishments. The state now dominates the agricultural production of the Union through its state-owned farms and its organization of collective farming which together accounted for 78 per cent of the 1932 crop acreage planted whereas in 1929 they accounted for only 5 per cent of the acreage. Large increases in acreage have been made in recent years and exports almost comparable with prewar were made in the 1930 and 1931 seasons. A food shortage in many sections of Russia is reported this year, however.

In addition to the monopoly control of trade, considerable aid has been granted producers. To encourage acreage expansion especially into new regions taxation abatements and exemptions have been widely used. Farm loans both in kind (seed etc.) and money have also been made with collective farms usually receiving preference. The establishment of machinery - tractor stations with a number of tractors and other farm implements, tools, repair equipment and also mechanics at central places for handling the mechanized farm work in that section is another direct form of government aid to the producers.

Poland

Poland normally exports small quantities of wheat and flour though at times and particularly for some sections of the country imports are necessary. This somewhat dual situation together with a strong protectionist policy since the war has led to a variety and frequent changes of legislative measures affecting the wheat trade. Tariffs, a customs tax, export bounties along with import certificates, export taxes, commercial treaties and agreements, a wheat and rye export bureau for centralized selling; tax relief and credit aid; and standardization and improvement of quality, especially for exports, feature Poland's legislative control and aid measures affecting wheat.

The tariff duty since March 1931 has been 76 cents per bushel on wheat and \$1.88 per 100 pounds on wheat flour while for rye it has been 48 cents and rye flour \$1.27 per 100 pounds. The previous rates effective during part of 1930 and the first part of 1931 were 53 cents on wheat and \$1.30 on flour while prior to 1930 the duty on wheat was 53.6 cents per bushel. The customs tariff has been subjected to a further complete revision this year and the new law is expected to become effective in 1933. In addition to the import duties, Poland has levied a "customs manipulation tax" amounting to 20 per cent of the duty since January 1931 prior to which time it was 10 per cent.

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

A customs certificate system has been operating in Poland since November 1929 for wheat and flour and consists of the issuance of customs receipts for exports which are negotiable for cash or to apply on the duty of any import. They are in effect an export bounty or premium. In 1929-30 they amounted to 18 cents a bushel on wheat, 17 cents on rye and 46 cents per 100 pounds on all flour. The rate on flour was increased to 61 cents in July 1930 but was reduced in January 1931 to 51 and 46 cents per 100 pounds on bolted or other flour respectively. Export taxes have been applied from time to time in recent years in order to curtail exports of wheat or rye in short crop years or when relatively high prices prevailed in the export markets which threatened to deplete domestic supplies and raise prices to consumers in Poland. They have also been applied of late to discourage exports not up to official grades and standards. The latter is part of a government campaign to improve the competitive position of Polish products in foreign markets.

In August 1931 the Polish Rye and Wheat Export Bureau was formed to concentrate grain export sales and eliminate unnecessary competition among the Polish exporters. It was in part also a continuation of the German-Polish Rye Commission established in February 1930 which provided for a joint export sales organization and allowed quotas to reduce the export competition between the two countries, but which was abandoned in June 1931. Poland has been an active participant in numerous European trade conferences endeavoring to secure reciprocal trade advantages and privileges. Several commercial treaties have been negotiated whereby Polish exports are given reduced rates of duty for reduced Polish duties on specified foreign imports. As yet only minor benefits have been thus secured for wheat, rye and flour.

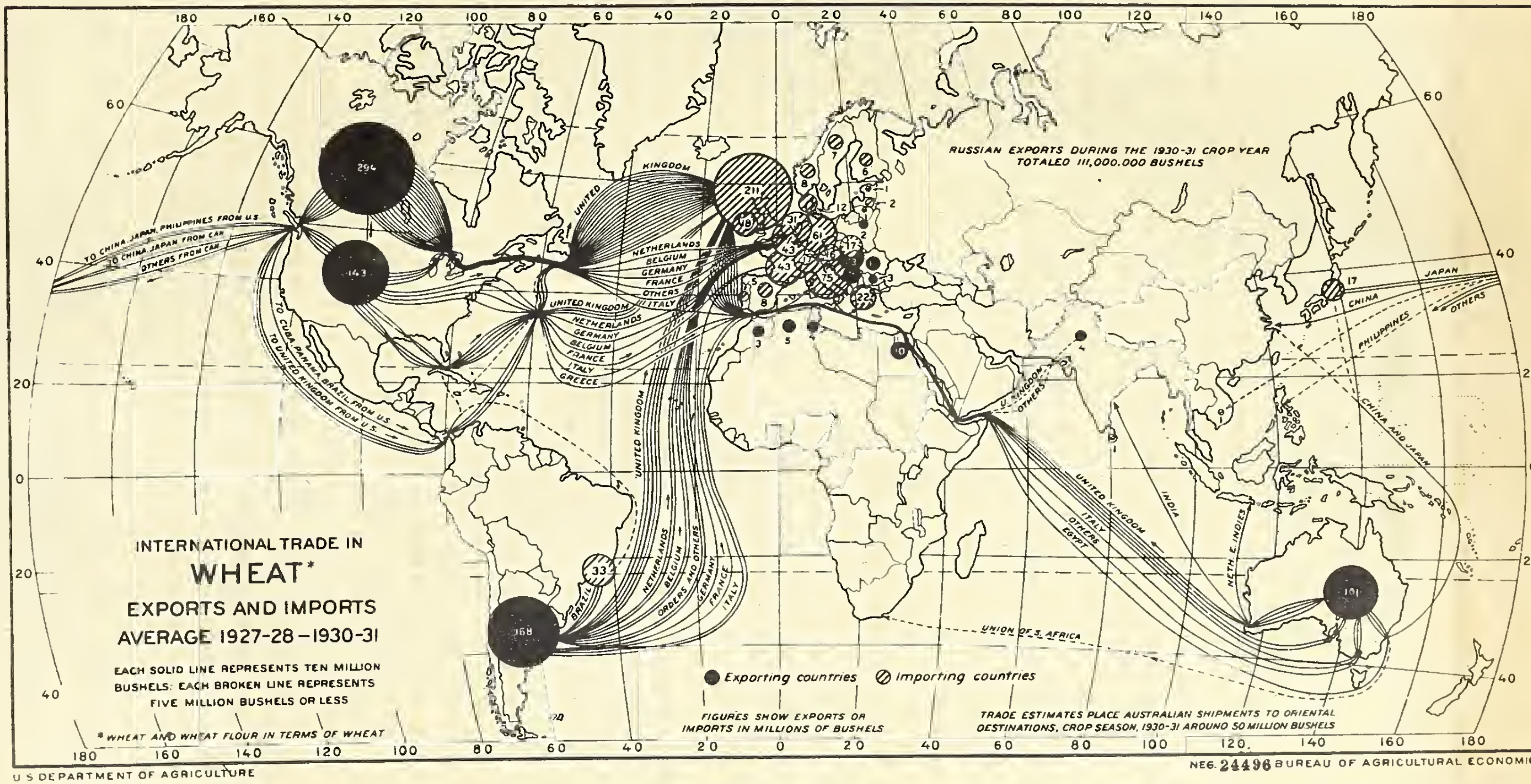
The government has also taken an active part in encouraging and even organizing central selling agencies for producers and exporters by granting them financial aid. In 1926 the Government Export Institute was set up with the objective of investigating possibilities of selling Polish goods in foreign markets and to bring about the standardization of all products, especially those going into export in order to prevent sales of inferior quality goods abroad. Producers have been encouraged to sell their products both at home and abroad through central selling agencies and accordingly numerous cooperatives, syndicates and some cartels have been formed through which the producer is able to gain full advantage of all sales possibilities. Some temporary tax relief by postponements and some credit aid to prevent forced crop sales are granted.

Wheat acreage and production in Poland has made notable advances the past decade with acreage for 1930-1932 averaging 4,154,000 acres against 2,957,000 during 1921-1925 and production averaging 73,800,000 and 48,700,000 bushels for the 2 periods respectively. While the 1932 acreage was somewhat above the average of the past 3 years, the crop was severely damaged by rust and is placed at only 55,887,000 bushels which removes the prospects of any significant exports this season. Normally some imports would be in order with a crop of this size.

WHEAT: Acreage and production averages in specified countries, 1921-1932, annual 1932

Country	Average 1921-1925		Average 1926-1929		Average 1930-1932		1932	
	Acreage	Production	Acreage	Production	Acreage	Production	Acreage	Production
	1,000 acres	1,000 bushels	1,000 acres	1,000 bushels	1,000 acres	1,000 bushels	1,000 acres	1,000 bushels
United Kingdom..	1,809	61,237	1,551	51,576	1,333	40,681	1,343	42,000
Germany........	3,613	98,714	4,125	120,151	5,130	159,530	5,635	183,827
France.........	13,507	290,774	13,082	281,608	13,010	277,858	13,256	331,359
French N. Africa	7,103	56,566	8,050	65,010	8,415	67,600	8,245	69,554
Italy..........	11,537	198,307	12,124	226,294	13,012	243,660	12,237	276,126
Netherlands....	147	6,262	136	6,112	209	8,834	293	13,694
Belgium........	339	13,194	378	14,897	394	14,051	391	15,099
Denmark........	202	8,973	259	10,540	257	10,357	259	10,802
Sweden.........	352	10,602	519	16,203	692	21,566	747	25,831
Norway.........	27	637	26	685	29	699	28	785
Irish Free State	34	1,131	31	1,236	a/ 24	a/ 936	-	-
Spain..........	10,457	142,420	10,698	142,077	11,180	153,208	11,189	178,499
Czechoslovakia.	1,526	36,015	1,896	48,225	2,024	48,525	2,046	55,736
Austria........	456	8,400	508	11,469	517	11,466	536	13,007
Greece.........	1,075	9,417	1,276	12,476	1,435	13,796	1,483	19,474
Portugal.......	1,078	11,103	1,076	9,592	1,245	14,985	1,359	18,138
Switzerland....	112	3,457	130	4,191	134	4,536	137	5,647
Latvia.........	89	1,426	144	2,333	216	4,179	255	5,084
Lithuania......	214	3,563	370	6,277	506	9,675	514	9,359
Estonia........	47	667	69	1,063	106	1,762	128	1,912
Finland........	36	739	41	938	49	1,203	50	1,238
Total above countries..	53,760	963,604	56,489	1,032,953	59,917	1,109,107	60,131	1,275,171
Egypt..........	1,462	36,806	1,598	41,019	1,644	46,103	1,762	52,579
China..........	-	-	-	941,000	-	-	-	-
Japan, including Chosen.......	2,079	37,107	2,071	38,789	a/ 2,051	39,531	-	40,838
Brazil.........	-	-	-	5,100	-	-	-	-
Peru...........	245	2,968	301	3,599	-	-	-	-
Turkey.........	b/ 7,058	b/ 39,510	c/ 6,048	c/ 69,360	-	95,946	-	73,600
Union of S.Africa	868	7,451	855	8,024	a/ 1,306	a/ 12,205	-	-
Australia......	10,010	128,520	13,446	141,382	16,489	204,420	16,817	d/ 210,000
Canada.........	22,083	366,483	23,682	439,512	20,062	385,358	27,175	431,200
India..........	29,560	336,269	31,485	317,808	32,531	358,400	33,749	336,971
Bulgaria.......	2,390	31,399	2,691	40,003	3,016	56,355	3,077	50,553
Hungary........	3,345	59,678	3,895	81,509	4,068	71,816	3,897	58,561
Rumania........	7,068	89,570	7,643	105,729	7,720	113,185	7,043	73,487
Yugoslavia,....	3,953	58,753	4,649	81,572	5,334	77,525	5,243	53,4[illegible]
Argentina......	16,932	203,388	18,858	256,000	18,498	a/ 230,942	19,790	-
Russia.........	43,128	424,233	73,160	799,822	87,095	-	88,724	-
Poland.........	2,957	48,708	3,329	59,666	4,154	73,810	4,262	55,887
Chile..........	1,446	25,761	1,608	28,700	1,566	a/ 21,188	1,570	-

a/ Average 1930-1931. b/ 1925 only. c/ Average 1927-1929. d/ Preliminary.



THE MOVEMENT OF WHEAT IN WORLD TRADE CONSISTS LARGELY OF EXPORTS FROM THE WESTERN AND SOUTHERN HEMISPHERES TO THE EUROPEAN DEFICIT COUNTRIES IN WHICH TRADE RESTRICTIONS HAVE GREATLY INCREASED IN RECENT YEARS. AS A RESULT OF THE LEGISLATION AFFECTING WHEAT, MARKED DECREASES IN IMPORTS AND SOME SIGNIFICANT SHIFTS IN TRADE MOVEMENT ARE OCCURRING

FOREIGN GOVERNMENT LEGISLATION AFFECTING WHEAT AND FLOUR

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